

# BANGALORE CITY UNIVERSITY

## MODEL QUESTION PAPER

Duration: 2.00 Hours

Total Marks: 60

### SECTION - A

(5 × 2 = 10)

I. Answer any Five of the following

1. a. Differentiate between the terms 'Capital structure' and 'Financial structure'?
- b. What is Capital Gearing'?
- c. Give the meaning of scrip dividend.
- d. State two advantages of a stable dividend policy.
- e. Differentiate gross and net working capital.
- f. The Net Profitability Index of a project is 0.65. Should the project be accepted? Give reason.
- g. Initial investment ₹ 3,00,000, scrap value ₹ 50,000, working life 5 years, additional working capital ₹ 25,000. Calculate average investment.
- h. What is time value of money?

### SECTION - B

(4 × 5 = 20)

II. Answer any four of the following

2. Analyze the factors influencing a sound financial plan.
3. Boots leather accessories gives the following information:
  - a. Selling price per unit ₹ 100
  - b. Variable cost per unit ₹ 50
  - c. Fixed Cost ₹ 1,00,000
  - d. Units produced & sold ₹ 6,000 Units
  - e. Interest on debt ₹ 15,000

Calculate three types of leverages.

4. Briefly explain types of dividend policies.
5. Identify various components of working capital.
6. A company is requiring a machine which needs an investment of Rs. 3,20,000. The net income before tax and depreciation is estimated as follows:

Year	1	2	3	4	5
Income	1,60,000	60,000	1,08,000	1,12,000	96,000

Assuming a 55% tax rate and depreciation on straight line basis. Calculate the ARR.



III. Answer any two of the following question. Each question carries Twelve Marks. ( $2 \times 12 = 24$ )

7. Using the information below, calculate the net working capital required for Brits Ltd., adding 10% for contingencies.
- The estimated cost of production per unit is ₹ 170, which includes ₹ 80 for raw materials, ₹ 30 for direct labour, and ₹ 60 for overhead.
  - Selling Price ₹ 200 per unit.
  - Level of activity per annum 1,04,000 units.
  - Raw material in stock: 4 weeks
  - Work-in-progress (assume 50% completion) 2 weeks
  - Finished goods in stock 4 weeks
  - Credit allowed by suppliers 4 weeks
  - Credit allowed to debtors 8 weeks
  - Lag in payment of wages 1.5 weeks
  - Cash at bank is expected to be ₹ 25000.

You may assume that production is carried evenly throughout the year (52 weeks) and wages and overheads accrue similarly. All sales are on credit basis only.

8. Brave Limited is capitalized with 50,000 equity shares of ₹ 10 each. Company wants another ₹ 5,00,000 for expansion programme. The following are the different Plans.

- All equity shares.
- ₹ 2,50,000 in equity and the balance in preference shares carrying 10% dividend.
- ₹ 2,50,000 in equity and the balance in debentures at 10% interest.
- All debentures at 8% interest.

Tax rate is 50% and the existing EBIT is ₹ 60,000 p.a.

- Calculate EPS for four plans.
- What would the EPS, if EBIT is doubled?

9. Critically evaluate the objectives of financial management.

### SECTION - D

IV. Answer any one of the following questions. Each question carries Six Marks. ( $01 \times 06 = 06$ )

10. A firm whose cost of capital is 10% is considering two mutually exclusive projects X and Y the details of which are as follows:

Particulars	Machine X	Machine Y
Investment	70,000	70,000
Cash flow per year 1	10,000	60,000



	20,000	40,000
2	30,000	20,000
3	45,000	10,000
4	60,000	10,000
5		

The present value of Re. 1 at 10% discount rate is as follows:

Year	1	2	3	4	5
PV Factor	0.909	0.826	0.751	0.683	0.621

On the basis of NPV which machine should be selected?

11. An investors deposit ₹ 2,000 at an interest rate of 10% p.a. in bank fixed deposit. What would be the value of deposit at the end of second year respectively, if the compounding is done?
- (a) Annually (b) Semi-annually  
(c) Quarterly (d) Monthly.

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