

Time: 3 Hours

Total Marks: 80

Note:

1. Question No. 1 is compulsory.
2. Attempt any THREE out of the remaining FIVE questions.
3. Assume suitable data if necessary.

Q.1. Write short notes on **any FOUR** (20)

- (a) Preference Shares
- (b) Ordinary Annuity, and Annuity Due
- (c) Profit and loss account
- (d) Importance of Working Capital Management
- (e) Mezzanine Finance
- (f) Meaning and Importance of Dividend Policy

Q.2 (a) Explain different types of Financial Institutions (10)

- (b) The Both the stocks of Company A and B are selling at Rs. 100 per share. The required details are given below. You assess the rupee return [Dividend plus price] of these stocks for the year as follows. (10)

	Economic Condition			
	High Growth	Low Growth	Stagnation	recession
Probability	0.3	0.4	0.2	0.1
Return on Company A Stock	100	110	120	130
Return on Company B Stock	140	130	120	110

Calculate the Expected Return and standard deviation of investing

- a] Rs. 20000 in the equity stocks of company A.
- b] Rs. 20000 in the equity stocks of Company B.
- c] Rs. 10000 each in equity stocks of Company A and B.

Q.3. (a) You want to borrow Rs. 60,00,000 to buy a flat. You approach a housing finance company which charges 9 percent interest. You can pay Rs. 6,00,000 per year towards loan amortization. What should be the maturity period of the loan? [10]

- (b) Explain Gordons's Approach for dividends [10]

Q.4. (a) Explain all types of Profitability Ratios (10)

(b) Consider a project in which details of cash flow is given below. The cost of capital is 10 percent. (10)

	Year	Cash flow
[Investment]	0	95,00,000
Benefits -	1	30,00,000
	2	35,00,000
	3	40,00,000
	4	45,00,000
	5	46,00,000

A] Calculate NPV.

B] Calculate Benefit Cost Ratio and Net Benefit Cost Ratio

C] Calculate Discounted payback period.

Q.5. (a) Explain Balance sheet. (10)

(b) Consider a project in which details of cash flow is given below. The cost of capital is 11 percent (10)

	Year	Cash flow
[Investment]	0	99,00,000
Benefits -	1	25,00,000
	2	30,00,000
	3	35,00,000
	4	40,00,000
	5	42,00,000

A] Calculate the Internal Rate of return for the above project.

B] Calculate Modified Internal Rate of Return.

Q.6. (a) Explain Long term sources of finance. [10]

(b) Explain all types of efficiency or Activity Ratios [10]