

- Instructions :** (1) This paper contains FIVE questions.
 (2) All questions are compulsory.
 (3) Question No.2, 3, 4 have internal options.
 (4) Figures in the right side in parenthesis indicate marks.

- Q:1** S Co. Ltd is considering purchasing machine. There are two machines available. The cost of each machine is Rs. 8,00,000. The estimated life of each machine is 5 years. The scrap value is 40,000. The company's required rate of return is 12%. The rate of tax is 50%. Depreciation is calculated as per straight line method. The expected earning before depreciation and taxes for two machine are as follows: 10

Year	Machine A	Machine B
1	5,20,000	4,40,000
2	4,00,000	5,20,000
3	3,20,000	3,20,000
4	2,80,000	2,40,000
5	2,00,000	2,80,000

Select the most profitable machine by following methods:

- 1) Net present Value
- 2) Average rate of return
- 3) Pay back Method

The present value of Re.1 at discount rate of 12% for five years

Year	1	2	3	4	5
Discount factor	0.893	0.797	0.712	0.636	0.567

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Q:2 (a) Mr. X deposits Rs. 2,00,000 in a bank account which pays 10% interest. How much can he withdraw annually for a period of 15 years? 05

Q:2 (b) S Corporation's previous dividend was Rs. 12. Earnings and dividends are expected to grow at a rate of 10 percent. The required rate of return on S's Stock is 15 percent. What should be the market price of S's Stock now? 05

OR

Q:2 Define Financial management. Discuss in brief the Financial System. 10

Q:3 A Company has on its books the following amounts and specific costs for each type of capital: 10

Types of capital	Book Value	Market Value	Specific Cost
Debenture	6,00,000	5,70,000	6%
Preference share capital	1,40,000	1,60,000	9%
Equity Share capital	8,00,000	15,40,000	14%
Retained earning	3,00,000		10%

From the above information, Find out WACC using 1) Book Value weights and 2) Market Value Weights.

OR

Q:3 Write a short note on: 10
1) Weighted average cost of Capital
2) Various Source of long term finance

Q:4 Explain stable dividend policy and steadily changing dividend. 10

OR

Q:4 What is capital structure? Explain NI and NOI approach. 10

Q:5 Answer the following : (Each of 2 mark) 10

- 1) What is Working capital management?
 - 2) What is difference between net working capital and gross working capital?
 - 3) Enlist the factors affecting working capital.
 - 4) What are the important points to be covered while credit management?
 - 5) Explain the difference between operating cycle and cash cycle with drawing.
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