1106M253 CandidatM's SMat No :__________

Integ. IMBA (FS) Semester 4 Examination

FS 402

Financial Mgmt-II

JunM-2024

Time : 2-30 Hours] **[Max. Marks : 70**

INSTRUCTIONS:

1.Figures to the right indicate full marks.
2. Do not Write Anything on the Question Paper.
3.Do not use Scientific Calculator.
4.Show Working Notes Where Necessary.

Q.1 A) A Financial Position of 2 Companies A and B are as under:

Particulars	Company-A	Company-B
Equity Share Capital of Rs.10 Each	Rs.2,50,000	Rs.1,00,000
Number of Shares	25,000	10,000
Assets	Rs.5,00,000	Rs.5,00,000
8% Debentures	Rs.2,50,000	Rs.4,00,000
Rate of Taxes	50%	50%

If the Company's Earning before interest and taxes are 1) Rs.20,000. 2)Rs.40,000 3) Rs.70,000. 4)Rs.1,00,000. 5)Rs.1,40,000 respectively. **14**

Find Out the leverages of 2 Companies and also find out the EPS analysis of both the companies in detail.

Q.2 A) The Capital structure of Surya Ltd. is as follows:

Sr.No.	Sources	Book Value	Market Value
1	Equity Share Capital	10,00,000	20,00,000 (200% Book Value)
2	Retained Earnings	5,00,000	--------------
3	14% Preference Share Capital	7,00,000	7,00,000 (Just Par)
4	12% Debenture	6,00,000	6,00,000 (Just Par)

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	After Tax, Cost of capital of these different sources is equity share capital 18%, Retained earnings 15%, Preference Share capital 14% and Debenture 8%. Calculate the Weighted Average Cost of Capital of the Company. **OR** B) What is Dividend Policy? Explain the Factors affecting Dividend Policy in detail.	14
Q.3	A) Advantages and Disadvantages of Pay-Back Period Method.	7
	B) Explain the Different Types of leverages in detail with the relevance of their respective examples in detail.	7
	OR	
	A) Explain the Advantages and Disadvantages of Internal Rate of Retun Method and Net Present Value Method.	7
	B) Write a Pros and Cons of Average rate of return method in detail.	7
Q.4	A) A Company needs Rs.8,00,000 for purchase of a new machinery. The Following 3 Financial Plans are feasible. 1) The Company my issue 80,000 Equity shares at Rs.10 Per Share. 2) The Company may issue 40,000 Equity shares at 10 Per Share and 10%,4000 Debentures at Rs.100. 3) The Company may issue 40,000 Equity shares at 10 Per Share and 10%,4000 Preference Shares at Rs.100 Per Share. 4) If the Company's earning before interest and taxes are Rs.16,000 Rs.32,000 Rs.64,000 Rs,96,000 and Rs.1,60,000 respectively. What is the earning per share under the each of 3 Financial Plans? Assume a Corporate Tax Rate is 50% Applicable. 5) Find Out the different leverages and Earning Per Share Analysis of this Company in detail.	14
	OR	
	B) The Cost of various of types of capital Mehta Ltd.is given below along with target market proportions. Compute WACC from the Following.	14

Sources of Fund	Amount	Proportions in Total Capital Structure	Cost of Capital (K)
Debts	2,40,000	30%	5.68
Preference Share Capital	80,000	10%	9.33
Equity Share	4,00,000	50%	13.30

Capital (Rs.100 Each)			
Cost of Retained Earnings	80,000	10%	13.00
Total	8,00,000	100%	

What would be your opinion if company wants to change WACC Approach from Book Value to Market Approach? In Market Approach, the Price of Equity share is Rs.250 per share instead of Rs.100 in Book Value.

Compute the WACC Under Market Approach.

Q.5 A) Jethalal Ltd.is considering 2 Projects Daya and Tappu requiring a capital outlay of Rs.4,00,000. Forecasted annual income after depreciation but before tax is as follows: **14**

Year	Project-Daya	Project-Tappu
1	2,40,000	2,50,000
2	2,10,000	1,50,000
3	1,60,000	1,50,000
4	1,60,000	1,00,000
5	40,000	50,000

Depreciation may be taken at 20% on Original Cost of the Project and Taxation at 50% of Net Income.

Present Value of Rs.1 for Five years at 10% Discount rate is as under:

Year	1	2	3	4	5
Present Value	0.909	0.826	0.751	0.683	0.621

You are required to evaluate the Projects According to each of the following methods:

1) Pay-Back Period Method
2) Average Rate of Return
3) Profitability Index Method
4) Net Present Value Method

Which Project would you like to prefer? Why?

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