5/81

2104N044

Candidate's Seat No :_____

M.B.A. (GM) Sem.-2 Examination

FC-204

FOFM

Time : 2-30 Hours] **April-2025** **[Max. Marks : 70**

Q-1	**A)** Deepinder Is an ambitious Management graduate and wants to start his Chaai and Samosa Business. who dreams of becoming the next Colonel Sanders So, Deepinder consults you—a super-intelligent finance expert—to help him understand the Time Value of Money (TVM) and make smart financial decisions.	
	• Deepinder decides to invest ₹20,000 per month in a special investment scheme that offers 12% annual return (compounded monthly). How much money will Deepinder have after 10 years if he keeps investing ₹20,000 every month?	**02**
	• Deepinder finds a magic time machine that lets him bring money from the future to the present! He wants ₹50 lakh in 8 years, but he needs to figure out how much to invest today in a bank that offers 10% annual return (compounded annually). How much should Deepinder invest today to get ₹50 lakh in 8 years	**01**
	• Deepinder gets offers from two banks for a fixed deposit: Bank A: 10% interest, compounded quarterly Bank B: 9.8% interest, compounded monthly Which bank gives a better effective return, and where should Deepinder deposit his money?	**02**
	• Deepinder wants to buy a high-tech Samosa Truck in 6 years, which will cost ₹25 lakh. Instead of taking a loan, he decides to save up every month in a special fund that earns 8% annual return (compounded monthly). How much should Deepinder deposit every month to accumulate ₹25 lakh in 6 years?	**02**
	• Deepinder finally decides to expand his samosa empire, but now he faces a tough decision: He can buy a Samosa Machine for ₹10 lakh, or He can lease it for ₹20,000 per month for 5 years, with an interest rate of 9% annual. ➢ Should Deepinder buy the machine or lease it? ➢ If Deepinder negotiates the lease payment down to ₹18,000 per month, does leasing become a better option?	**03**

(P.T.O)

NOHH-2

	B) Explain Following : 1) CAGR Vs XIRR 2) Agency problem	**04**
Q-2	**A)** Write a detailed note on Objectives of Financial Management. **B)** Explain Net Income Approach of capital Structure **OR** **A)** Write a detailed note on Financial System and its Components	**10** **04** **14**
Q-3	**A)** Explain CAPM model in details. **B)** Xylo Ltd. is considering two alternative financing plans as follows:	**10** **04**

Particulars	Plan – A (Rs.)	Plan – B (Rs.)
Equity shares of Rs.10 each	8,00,000	8,00,000
Preference Shares of Rs. 100 each	-	4,00,000
12% Debentures	4,00,000	-
	12,00,000	12,00,000

The indifference point between the plans is Rs.4,80,000. Corporate tax rate is 30%. CALCULATE the rate of dividend on preference shares.

OR

A) DETERMINE the cost of capital of Best Luck Limited using the book value (BV) and market value (MV) weights from the following information: **07**

Sources	*Book Value (₹)*	*Market Value (₹)*
Equity shares	1,20,00,000	2,00,00,000
Retained earnings	30,00,000	-
Preference shares	36,00,000	33,75,000
Debentures	9,00,000	10,40,000

Additional information:

Equity: Equity shares are quoted at ₹130 per share and a new issue priced at ₹125 per share will be fully subscribed; flotation costs will be ₹5 per share.

Dividend: During the previous 5 years, dividends have steadily increased from ₹10.60 to ₹ 14.19 per share. Dividend at the end of the current year is expected to be ₹15 per share.

Preference shares: 15% Preference shares with face value of ₹100 would realise ₹105 per share.

Debentures: The company proposes to issue 11-year 15% debentures but the yield on debentures of similar maturity and risk class is 16%; flotation cost is 2%.

Tax: Corporate tax rate is 35%. Ignore dividend tax. Floatation cost would be calculated on face value.

B) **07**

Masco Limited wishes to raise additional finance of Rs. 10 lakhs for meeting its investment plans. It has Rs. 2,10,000 in the form of retained earnings available for investment purposes. Further details are as following:

(1)	Debt / Equity mix	3:7
(2)	Cost of debt:	
	Upto Rs.1,80,000	10% (before tax)
	Beyond Rs. 1,80,000	16% (before tax)
(3)	Earnings per share	Rs. 4
(4)	Dividend pay out	50% of earnings
(5)	Expected growth rate of dividend	10%
(6)	Current market price per share	Rs.44
(7)	Tax rate	50%

You are required to:

- DETERMINE the pattern for raising the additional finance.
- DETERMINE the post-tax average cost of additional debt.
- DETERMINE the cost of retained earnings and cost of equity.
- COMPUTE the overall weighted average after tax cost of additional finance.

(P.T.O)

NOHH-4

Q-4 A) **08**

The following annual figures relate to XYZ Co.:

Particular	(Rs.)
Sales (at two months' credit)	36,00,000
Materials consumed (suppliers extend two months' credit)	9,00,000
Wages paid (1 month lag in payment)	7,20,000
Cash manufacturing expenses (expenses are paid one month in arrear)	9,60,000
Administrative expenses (1 month lag in payment)	2,40,000
Sales promotion expenses (paid quarterly in advance)	1,20,000

The company sells its products on gross profit of 25%. Depreciation is considered as a part of the cost of production. It keeps one month's stock each of raw materials and finished goods, and a cash balance of Rs.1,00,000.

Assuming a 20% safety margin, COMPUTE the working capital requirements of the company on cash cost basis. Ignore work-in-process.

B)Write a note on Working capital Cycle and factors affecting investment in working capital. **06**

OR

A)

PREPARE monthly cash budget for six months beginning from April 2022 on the basis of the following information: **08**

(i) Estimated monthly sales are as follows:

	Rs		Rs.
January	1,00,000	June	80,000
February	1,20,000	July	1,00,000
March	1,40,000	August	80,000
April	80,000	September	60,000
May	60,000	October	1,00,000

Wages and salaries are estimated to be payable as follows:

	Rs.		Rs.
April	9,000	July	10,000
May	8,000	August	9,000
June	10,000	September	9,000

(i) Of the sales, 80% is on credit and 20% for cash. 75% of the credit sales are collected within one month after sale and the balance in two months after sale. There are no bad debt losses.

(ii) Purchases amount to 80% of sales and are made on credit and paid for in the month preceding the sales.

(iii) The firm has 10% debentures of Rs.1,20,000. Interest on these has to be paid quarterly in January, April and so on.

(iv) The firm is to make an advance payment of tax of Rs.5,000 in July, 2022.

(v) The firm had a cash balance of Rs.20,000 on April 1, 2022, which is the minimum desired level of cash balance. Any cash surplus/deficit above/below this level is made up by temporary investments/liquidation of temporary investments or temporary borrowings at the end of each month (interest on these to be ignored).

B) Write a note on Purpose of Capital Budgeting — 06

Q-5 A) — 10

Hindlever Company is considering a new product line to supplement its range of products. It is anticipated that the new product line will involve cash investments of Rs. 7,00,000 at time 0 and Rs.10,00,000 in year 1.
After-tax cash inflows of Rs. 2,50,000 are expected in year 2, Rs.3,00,000 in year 3, Rs. 3,50,000 in year 4 and Rs. 4,00,000 each year thereafter through year 10. Although the product line might be viable even after year 10, the company prefers to be conservative and end all calculations at that time.

- If the required rate of return is 15 per cent, COMPUTE net present value of the project. Is it acceptable?
- ANALYSE what would be the case if the required rate of return were 10 per cent.
- CALCULATE its internal rate of return.
- COMPUTE the project's payback period

B)
D0- Rs. 5
G - 10% for first 5 Years @ 5% thereafter- Perpetual
Ke - 15%

Find out Valuation of Equity share. — 04