(2 ½ Hours) **Marks : 75**

Q1A Fill in the Blanks with appropriate option (ANY 8) **8**

1 EVA is calculated to find out contribution of the organisation to wealth of ________
a. Employee b. Shareholder c. Debenture holder d. Creditors

2 A new company is formed under_________
a. Absorption b. Reconstruction c. Amalgamation d. All of the above.

3 Restructuring is the process of changing ___________
a. Capital structure b. Staffing c. Organisation of business d. All of the above.

4 Legal ownership of lease assets remain with _______
a. Leasee b. Leasor c. Seller d. None of the above.

5 Accounting standard _____ Issued by ICAI deals with 'Lease'.
a. 18 b 19 c. 21 d. 9

6 Capital reduction is implemented as per Section ______ of Companies Act.
a. 77 b. 75 c. 80 d.100

7 ________ takeover is takeover of one company by another company in same industry.
a. Horizontal b Vertical c. Reverse d. Conglomerate.

8 In _______valuation method , valuation of assets is derived from pricing of comparable assets.
a. Net assets b. Yield c. Relative d. Free cash flow

9 In _________ lease all risk attached to the assets ownership is transfer to leasee
a. Operating b. Financial c. Leverage d. Domestic

10 In cross border lease the parties to lease are domiciled in __________
a. Same countries b. Different countries c. Same state d. None of the above.

Q1B State whether the following statement are True or False (ANY 7) **7**

1 Negative EVA means company is generating value from the funds invested in it.

2 Combination of two or more company result into synergy.

3 In hire purchase ownership of assets is transfer immediately to hire purchaser.

4 Market value can be ascertained for unlisted company only.

5 MPBF refers to Minimum permissible bank finance.

6 In Recourse Factoring risk of bad debts is born by the factor.

7 Lease rent reduce the tax liability of the leasee.

8 One of objective of Take over is to reduce cost.

9 Going private is form of restructuring.

10 EVA is decided on NOPAT of the company.

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Q2A The following is the summarized Balance Sheet of V Ltd. as on 31st March 2019 **10**

Liabilities	Amount	Assets	Amount
50,000 Equity Shares of Rs. 20 each fully paid up	10,00,000	Machinery	4,80,000
Securities Premium A/c	2,00,000	Furniture	2,00,000
General Reserve	4,78,000	Stock	12,40,000
Profit & Loss A/c	3,14,000	Debtors	4,12,000
Sundry Creditors	8,18,000	Cash in Hand	6,000
Provision for Taxation	3,96,000	Cash at Bank	8,68,000
	32,06,000		**32,06,000**

The company transfers 20% of its profits after tax to General Reserve. Net profits before taxation for the last three years as follows:

For the year ended 31st March 2017 Rs. 5,44,000
For the year ended 31st March 2018 Rs. 7,32,000
For the year ended 31st March 2019 Rs. 7,85,000

Machinery is valued at Rs. 6,37,200.

Average yield in the type of business is 20%. The rate of tax is 50%. Use simple average.

Calculate the value of the Equity Share on the basis of

a) Intrinsic value b) Yield basis c) Fair Value

Q2B Mr. Ramesh has purchase the commercial paper of Tata company for 90 days in the market for Rs 9,61,000. The Face value is Rs 10,00,000. Find out the return on commercial paper. **05**

OR

Q2P The turnover of Zenith Ltd is Rs 100 lakhs of which 72% is on credit. Debtors are allowed one month to clear off the dues. A factoring company is willing to advance 80% of the bill raised on credit for a fee of 1% a month plus a commission of 5% on the total amount of debt. Zenith Ltd as a result of this arrangement is likely to save Rs 48,000 annually in management costs and avoid bad debts at 1% on the credit sales. **08**

A bank has come forward to make an advance equal to 80% of the debts at an annual interest rate of 15%. However its processing fee will be at 1% on the debt.

Which option company should accept?

Q2Q Amar Finance Ltd offers a H. P proposal for a machine costing Rs 20,00,000 on the following terms: **07**

1. Flat rate of interest 15%
2. Period of H.P 3 years
3. Cost of debt after tax 12%
4. Tax rate 30%
5. Salvage Value Rs. 2,00,000
6. Depreciation as per Straight Line Method

7. P.V of Rs 1 at 12% as follows

Year	1	2	3
D.F	0.893	0.797	0.712

Find out the present value of cash outflow.

Q3A The Balance sheet of Ajay ltd as on 31st December 2019 given as follows. **10**

Liabilities	Amount	Assets	Amount
8000, Equity shares of Rs 100 each	8,00,000	Fixed Assets	14,30,000
		Inventory	80,000
Debenture	13,80,000	Debtors	30,000
Creditors	4,50,000	Investment	17,000
Bills Payable	10,000	Cash & Bank	13,000
		Profit & Loss account	10,70,000
	26,40,000		**26,40,000**

The company being in a bad way, an arrangement on the following lines has been mutually agreed upon:

1. The equity shares are prepared to have their claims reduced to 5% of their present holding.
2. The debenture holders are agree to have their claims reduced to 50% which is to be satisfied half by the issue of 7% mortgage debentures and half by the issue of 8% preference shares of Rs 100 each.
3. Creditors are prepared to forgo 20% of their dues in exchange for equity shares of like amount.
4. The assets are to be reduced to the revalued figure as follows

Fixed Assets Rs 11,00,000 , Inventory Rs 50,000 , Debtors Rs 20,000, Investment Rs 7,000

Give the journal entire for the completion of the scheme, prepare Capital reduction account and Balance sheet after reconstruction.

Q3B Calculate EVA from following information **05**

Particulars

Debt Equity ratio 1:4

Capital emp 1000 cr

Cost of equity 18%

Cost of debt 15%

Tax rate 35%

EBIT (operating profit) Rs 300 crores

OR

6E6B8049473C91AE8ED0AF0BB44B9F30

Q3P You have been provided the following financial statement of two companies. **15**

Particulars	B	A
Earning after tax (Rs)	14,00,000	20,00,000
Number of shares	4,00,000	8,00,000
P/E ratio	10	14
Market price (Rs)	35	35

A ltd is intending to acquire B ltd. Exchanging its share on one for one basic for company B ltd share. The exchange ratio is based on market price of share of two companies.
1. What is existing EPS of both the companies?
2. What will be EPS after merger?
3. What is the change in EPS for the shareholder of A ltd and B ltd?
4. Determine the market value of share after merger?
5. Ascertain the gain accruing to the shareholders of both the firm?

Q4 A Following is the Estimated Balance Sheet of XYZ Ltd as on 31st March 2019 **05**

Liabilities	Rs in Lakhs	Assets	Rs in Lakhs
Equity share capital	300	Land & Building	225
Reserve & surplus	125	Plant and machinery	150
10 % Bank loan	150	Debtors	100
Creditors	50	Stock	125
Bills payable	25	Bank balance	50
Other current liabilities	5	Cash in hand	5
	655		**655**

From the above balance sheet calculated the MPBF as per first and second method of lending recommended by Tandon committee

Q4B XYZ ltd is engaged in textile business. The income statement is given below **10**
Income statement for year ended 31st March 2019

Particulars	Amount in lakhs
Sales	6000
-Cost of production	4500
EBIT	1500
-Interest on loan	10
EBT	1490
-Tax 30%	447
EAT	1043

Balance sheet as on 31/03/2019

Liabilities	Rs in Lakhs	Assets	Rs in Lakhs
Equity share capita	200	Land & Building	100
Reserve & surplus	150	Plant and Machinery	200
10% Bank loan	100	Debtors	100
Creditors	50	Stock	75
		Cast at bank	25
	500		**500**

The weighted average cost of capital is 15% and has P/E ratio of 6 times
Calculate

1. The value of firm 2. EVA 3. MVA

OR

Q4 P ABL ltd is planning to have an access to a machine for a period of five years. The company can either acquire the machine to the leasing arrangement or it can borrow money at 12 % to buy the machine. The company is in 40% tax bracket. **15**

In case of purchasing the machine which cost Rs 3,60,477 .The company would have to repay 12 % five year loan where installment are same. Each installment becoming due at the end of each year . Machine would be depreciate on straight line basic with no salvage value. Lease rent of Rs 1,10,000 is to be paid at the end of the year.

Advise the company which option should go for if internal rate of return is 12%.

Q5A Answer the following

1. What are the benefits of merger & acquisition? **8**
2. What is difference between Hire purchase and Lease? **7**

OR

Q5 B Write Short Notes **(Any Three)** **15**

1. Types of factoring
2. Types of takeover
3. Feature of lease financing
4. EVA
5. Sources of working capital finance

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