Paper / Subject Code: 44804 / Financial Management - II

TYBAF/SEMV/ 26.11.18

Time: 2:30 Hours

Marks: 75

(08)

Note – All questions are compulsory with internal choice.

Round off upto 2 decimals unless specified in the question.

Q1A. Multiple Choice Questions (any 8)

1. The lock in period for equity linked saving scheme is -----

- a. 3 years
- c. 8 years
- b. 5 years
- d. 12 years
- 2. -----funds will invest 65% to 80% of total assets in equities and 20% to 35% in debt instruments.
 - a. Balanced hybrid
- c. Aggressive hybrid

b. Conservative

- d. Multi asset allocation
- 3. The main objective in Accounts Receivable management is to -------the Days Sales Outstanding (DSO) and processing costs whilst maintaining good customer relations.
 - a. Balance
- c. Maximize
- b. Minimize
- d. None of the above.
- 4. "5/15 net 45" on an invoice represents ----- discount provided by the seller to the buyer on account of prompt or pre payment.
 - a. Trade
- c. Partly trade partly cash
- b. Cash
- d. Credit
- 5. ----- assumes to reinvest only positive cash inflows at the firm's cost of capital.
 - a. MIRR
- c. NPV
- b. IRR
- d. Discounted Payback
- 6. A ----- is a graphical depiction of a decision and every potential outcome of making that decision.
 - a. Sensitivity Analysis
- c. Scenario Analysis
- b. Break Even Analysis
- d. Decision Tree Analysis
- 7. Functional strategy is a -------plan for achieving one or more goals of a business by one or more functional areas.
 - a. Short term
- c. Medium term
- b. Long term
- d. All of the above
- 8. -----is the concept of increasing the value of a business in order to increase the value of the shares held by stockholders
 - a. Profit
- c. Wealth
- b. Sales
- d. None of the above

Page 1 of 5

Paper / Subject Code: 44804 / Financial Management - II

200			O]	3	
S	45. Find th	ne number of units a	equired by him if ther	re is entry load of 3 %.	(05)
)2	B.Kirit inv	vested Rs 60,000 in a	a long term mutual fu	nd with tax benefits unde	r section 80C at an NAV of
Ca	ilculate up	to 4 decimal points)			(10)
				emium. The current annu	ual market interest rate is 8%.
)2	A. Find th	e duration of bond	with a face value of F	Rs 1000 making annual in	nterest rate of 7% if it has 14
0.	Corporate	e strategy is hierarch	ically the highest stra	tegic plan of the organiza	ation.
			10 10 10 10 10 10 10 10 10 10 10 10 10 1	n in a high -cost, high -ris	
	100	(A) (B) (B) (B) (B) (B) (B) (B)		e greater benefits than co	
		and their respective	S 1/5 1/10 1/20 1/20 1/20 1/20 1/20 1/20 1/20		
7.			F 12 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	nows the relationship be	tween a company's bills and
ó.			d price also increases.		
	nature.				
5.	Operation	ns are usually defin	ed as core revenue ci	ritical aspects of a busine	ess that are non-repeatable in
		ternal equity market	51 B67 AG L 77 EFF Q 1 L 70 L 70 1 FC		
4.	Hard cap	oital rationing or "ex	ternal" rationing occu	ars when the company fa	ces problems in raising funds
			ation of future instabi	N. 12. 19 1 N. 10 1 W. 10 1 N. 10 N.	
3.			AND THE PERSON NAMED IN COLUMN TO SERVICE AND ADDRESS OF THE PERSON NAMED ADDRESS OF THE PERSON NAMED ADDRESS OF THE PERSON NAMED AND ADDR		ouncement of an increase in
			the second secon	olders may demand a phy	Laboratoria de la Carta de Car
2.				7 V. W. V. W. W. W. W. Y. V. V. V.	that mutual fund shares do not
			money market fund (N	요 - 소리가 다양이 없는 그 요하이 그렇다 되게 그렇게 얼룩한 듯이야?	y oms, commercial paper, and
1.	A mutua	Il fund that invests in	n short-term debt inst	ruments such as Treasur	y bills, commercial paper, and
Q	1B. State v	whether following st	atements are true or fa	alse (any7)	(07)
	b. Prof	it Value	d. NAV		
	a. Purc	hase Price	c. Face value		
10). Exit load	d is typically charged	d on prevaili	ng at the time of sale of u	ınit.
	b. Rem	ains unaffected	d. None of the a	above	
	a. Low	er	c. Greater		
	vice ver	sa.			
١.	The mgi	ici ilic boliu's uurati	on, theits se	isitivity to the change (a)	lso known as volatility) and

Q2C. SUN Mutual fund provides you with the following data related to unbalanced mutual fund scheme. You are required to compute the Net Asset Value (NAV) on per unit basis as on 30th Sept 2018. (10)

Particulars Particulars	AP EN	Rs. (in Crores)
Managers Salary		0.20
Operational Expenses		0.80
Amount payable on shares		0.25
Bonds and debentures at cost	E1 20	0.60
Interest Income	25	0.32
Listed Securities at cost	/\.\.\.\.\.\.\.\.\.\.\.\.\.\.\.\.\.\.\.	0.93
Dividend Income		0.10
Cash in hand	2000	0.24

Other information

- 1. Value of listed bonds and debentures is appreciated by 15% of Cost while unlisted display a downfall of 5% from cost.
- 2. All the listed securities were purchased when market index was 9500 and currently it is 9300.
- 3. Out of total bonds quoted above 30% of them are unlisted.
- 4. No of outstanding units is 3,50,000

Also calculate the amount receivable by an investor who wishes to sell 125 units at NAV as on 30th September with 5% exit load.

Q2D. A bond with face value 1000 yields 6% returns with maturity value of 4 years. Currently the market price of the bond is 840. Calculate the yield to maturity investment in the bond. (05)

Q3A. Angad Ltd is considering following projects which are divisible in nature, you are asked to choose the optimal project if capital constraint is Rs 65,00,000 (08)

Project	Initial Outlay (Rs)	NPV (Rs)
A	51,00,000	17,00,000
В	12,00,000	3,05,000
C	2,00,000	(16,000)
D	20,00,000	5,25,000
E	10,00,000	2,30,000

Q3B. Manju Ltd is evaluating 4 alternatives on investments whose returns are based on the state of economy

(07)

State Fair (Rs.)	Good (Rs.)	Great (Rs.)
Probability 0.2	0.5	0.3

The returns are as follows

Page 3 of 5

Paper / Subject Code: 44804 / Financial Management - II

Alternative	Fair (Rs.)	Good (Rs.)	Great (Rs.)
S	1000	9000	13600
U	0	10000	16000
N	(8000)	12000	17000

Draw decision Tree and determine the expected return for each alternative.

OR

Q3C. Meena Ltd has prepared the following projections for the next financial year

(15)

Sales – 63000 units @Rs 20 per unit (Credit period – 30 days)

Variable Costs – Rs 12.50 per unit

Total Costs = Rs17.50 per unit

The CFO proposes to increase the credit by another 30 days resulting into increase in sales by 8%. The company desires to earn 25% return on its investments. Assuming 360 days a year calculate

- 1. Incremental Contribution due to extension of credit period.
- 2. Incremental Investment on Funds based on Variable Costs only.
- 3. Incremental Investment on Funds based on Total Costs
- 4. Advise whether the proposal should be accepted or not based on total cost.

Q4A. Kaira Ltd is considering evaluating an investment proposal of Rs 7,00,000 with expected cash flows as below – (08)

Year	Cash flows after tax before depreciation. (Rs)
1	2,50,000
2	2,80,000
3	3,25,000
4	3,00,000

The company's cost of capital is 12% p.a. Compute the NPV, PI and Discounted Payback Period.

Q4B. The following data relates to Suraj Ltd –

(07)

Rate of Return = 15%, Earning Per share = Rs 80.

Find the market price per share in the following cases using Gordon's Model -

Sr. No	Dividend Payout (%) Cost of Capital (%)
1.00	50 12
2.	60 18

Treat each case independently

OR

Q4C. Kadam Ltd has an EBIT of Rs 8 lakhs and 8% debentures of Rs 20,00,000. The overall capitalization rate is 10% based on which you are required to compute the present value of Kadam Ltd and equity capitalization rate. The company decides to further raise Rs 4 lakhs through 8% debentures and use the same

to pay off the equity shareholders. Compute the proposed total value of the company and proposed equity capitalization rate based on Net Operating Income Approach. (15)Q5A. Discuss the need and importance of financial planning at corporate level. (08)B. Discuss the process of capital budgeting in brief. (07)OR Q5. Write Short notes on (any 3) (15)1. Scenario Analysis 2. Wealth Maximization 3. Trade off Theory 4. Ethics in Mutual Fund Entities 5. Ageing Schedule