AJEENKYA
D Y PATIL UNIVERSITY

End Term Examinations (December 2018)

School: School of Management **Program: BBA IB**

Course: Financial Management **Course Code: MGT201**

Semester: III **Max Marks:50** **Duration (mins): 120 min**

<u>Instructions for Students:</u>

A. Questions from Section – A is Compulsory question carries 10 Marks.

B. Section – B. Each question carries 1 Marks.

C. Answer any Two questions from Section – C. Each question carries 15 Marks.

(Section – A)

Q No 1) following are the selective financial information of A limited and B Limited for the year ended 31, March 2018 A Ltd. B Ltd

	A Ltd.	B Ltd
variable cost ratio (to sales)	60%	50%
interest	20,000	1,00,000
operating leverage	5	2
financial leverage	3	2
tax rate	30%	3
Variable cost	60000	50000

You are required to find out

1. EBIT
2. Sales
3. Fixed cost

4. Identify the company which is better pleased with reason based on leverages.

Or

1. What is IRR and what are the uses of IRR in Project Management?
2. How does an Operating Leverage (OL) differ from Financial Leverage (FL)?
3. List out any two assumptions of ‘M M’ Theory

(Section – B)

Q no 2) match the appropriate answer and rewrite it.

Column A	Column **B**
1. operating leverage	a) fluctuating rate of interest
2.combined leverage	b) CI
3, Financial leverage	c) CO
4, Equity shares	d) Fixed rate of dividend
5, Purchase of Machinery	e) Fluctuating rate of dividend
6, Payback period	f) Applicable to Equity shareholder
7, sales 30,000, fixed cost 20,000, VC 30%, Profit?	g) Int (100-tax rate) +(RV-NP)/N /RV+NP/2
8.Redeemable Debenture	h)1000 loss
9.Equity Shares	i)1000 profit
10.Bonus Shares	j) Traditional method
	k) fluctuating rate of dividend
	l) OL-FL
	m) Contribution/EBIT*EBIT/EBT
	n) change in EBIT/change in Contribution

	o) change in EBT/change in EBIT

(Section – C)

Solve any Two

Qno3) Calculate the Operating Leverage, Financial Leverage & Combined Leverage for a Firm using the following information: -

Sales 60,000 Units at Rs. 10 per unit;

Variable cost at Rs. 4 per unit;

The Fixed Cost is Rs. 2, 00,000;

Also 10% Debentures of Rs. 3, 00,000 were raised by the firm.

Q no 4) Skylar Co is contemplating the following Projects A & B as detailed below. Calculate the NPV assuming at 10% discount rate. and suggest which project is more feasible?

Year ->	0	1st year	2nd year	3rd year
Project - A	Rs. 40,000	Rs. 17,000	Rs. 17,000	Rs. 41,000
Project - B	Rs. 48,000	Rs. 22,000	Rs. 22,000	Rs. 23,000

Q no 5) calculate the cost of capital in the following cases:

I)X Ltd. issues 12% Debentures of face value Rs. 100 each and realizes Rs. 95 per Debenture. The Debentures are redeemable after 10 years at a premium of 10%

. ii)Y. Ltd. issues 14% preference shares of face value Rs. 100 each Rs. 92 per share. The shares are repayable after 12 years at par.

Note: Both companies are paying income tax at 50%PA.

Q no 6 A) Advantages & Disadvantages of Debentures/Bonds 07

B) How does ‘Preference’ Shares differ from ‘Equity’ Share. 08