

N. B.:

- 1) Attempt **ANY THREE** questions from Section – I and **ANY TWO** questions from Section – II.
- 2) Answers to both the sections should be written in the **SEPARATE** answer books.
- 3) Each question carries **16** marks.

SECTION – I

- Q.1 Define the term Financial Management. What are its characteristics and explain its scope?
- Q.2 Give features, merit and demerits of Debentures.
- Q.3 State the significance of concept of Time Value of Money.
- Q.4 Which factors affect dividend policy of a company?
- Q.5 Write short notes on **ANY THREE** of the following:
- a) Debentures
 - b) Operating Leverage
 - c) Capital structure
 - d) Cost of ordinary shares
 - e) Market value of shares

SECTION – II

- Q.6 ABC Enterprises have following options (Rs. in 000).

Projects	A	B	C
Cost Rs.	40	100	120
Cash inflow Rs. Year 01	10	120	60
02	20	100	60
03	30	---	60
04	40	NIL	60
DCF year 1 to 04	0.90	0.80	0.70

- a) Compute Profitability Index.
 - b) Compute MPV and rank the projects.
- Q.7 The following figures relate to two companies having Tax holiday.

	P Ltd. (Rs. in lakhs)	Q Ltd. (Rs. in lakhs)
Sales	1000	1200
Variable costs	300	800
Contribution	700	400
Fixed cost	400	200
EBIT	300	200
Interest	100	75
EBT	200	125

You are required to calculate

- a) Operating, Financial and combined leverage.
 - b) Comment on relevant risk position of the company.
- Q.8 X ltd. is considering three different plans to finance its total project cost of Rs. 100 lacs.

Plans	A	B	C
Equity shares (Rs. 200 shares)	100	68	50
8% Debentures	100	132	150
Total	200	200	200

Sales for first three years at Rs. 200 lacs, Rs. 250 lacs and Rs. 300 lacs respectively 12% profit is before interest and tax is forecasted to be achieved. If the company does not desire to pay any dividend but to retail earnings fully. Under which plan of above you would select to retain maximum earning.