

Full Marks: 70 Time three hours

Candidates are needed to provide their answers in their own word as far as practicable

The ques. are of equal value

ans any 5 ques.

1. (a) In what ways is the wealth maximization objective superior to the profit-maximization objective?

(b) elaborate the basic financial decisions and how do they involve in risk-return trade off?

2.(a) discuss the mechanism of calculating the current value of cash flows.

(b) Mr. X is borrowing Rs. 1,00,000 to buy low income group house. If he pays equal installments for 25 years and 4% interest on outstanding balance, What is the amount of installment? What shall be the amount of installments if quarterly payments are needed to be made?

3.(a) Does financial leverage always increase the earnings per share? Illustrate you ans.

(b) Consider the subsequent info for Ram Kumar enterprise:

..... Rs.(in Lakh)

EBIT 1,120

PBT 320

Fixed cost 700

compute percentage change in earning per share if sales increased by 5%.

4. elaborate the effects of bonus problem and share split on the earnings per share and the market price of the share?

5. How is working capital affected by (a) Sales, (b) Technology, (c) Inflation and (d) Credit policy? discuss

6. subsequent info has been extracted from the financial statement of manufacturing firm:

Figures in Rs. Crore unless said otherwise

avg. Cr. Period allowed by suppliers (in days) 60

avg. debtors outstanding 6

Raw materials consumed 60

Cost of production 145

Cost of goods sold 157.5

Sales 200

Inventory of raw material 5.75

Work in Progress 6.75

Finished goods 4.80

calculate the operating cycle for the firm assuming that the info provided is for a full 1 year period.

7. elaborate the components of credit terms? discuss every component briefly.

8. A company is considering the subsequent investment projects:

Projects C0 C1 C2 C3

A -10,000 10,000 --- ---

B -10,000 7,500 7,500 ---

C -10,000 2,000 4,000 12,000

Rank the project according to every of the methods (a) ARR and (b) NPV, assuming discount rate of 30%.

9. Write short note on any 2 of the following:

(a) Inventory management

(b) Risk-return-trade-off

(c) Net working capital

10. discuss the advantage and disadvantages of preference share to the company.