

2012

Time : 3 hours

Full Marks : 80

Candidates are required to give their answers in their own words as far as practicable.

The figures in the margin indicate full marks.

Answer from both the Groups as directed.

Group – A

(Objective Type Questions)

Answer **all** questions :

1. Choose the correct answer of the following :
 $2 \times 10 = 20$
 - (a) Financial Leverage can be calculated :
 - (i) EBIT / Contribution
 - (ii) PAT / EBIT
 - (iii) Contribution / EBIT
 - (iv) EBIT / PAT

- (b) Fixed Cost + Profit is equal to :
- (i) Capital
 - (ii) Cash
 - (iii) Contribution
 - (iv) Sales
- (c) Capital A / c comes under :
- (i) Personal A / c
 - (ii) Nominal A / c
 - (iii) Real A / c
 - (iv) All of the above
- (d) Closing stock is valued :
- (i) Cost price
 - (ii) Market price
 - (iii) Cost or market whichever is lower
 - (iv) None of these
- (e) Gross Working Capital means :
- (i) Total Current Asset
 - (ii) Current Asset - Current Liability
 - (iii) Sales - Variable Cost
 - (iv) Contribution - Fixed Cost

- (f) Basic aspects of financial management :
- (i) Procurement of fund
 - (ii) Profit maximization
 - (iii) Wealth maximization
 - (iv) Procurement and effective utilization of funds

(g) Pay back period means:

- (i) Period in which payment is to be made
- (ii) Period in which payment is to be received
- (iii) Period in which amount of investment is to be recovered

(iv) None of these

(h) Bank Overdraft comes under :

- (i) Current Assets
- (ii) Current Liabilities
- (iii) Fixed Assets
- (iv) Both (i) and (ii)

(i) Net Present Value (NPV) means discounted cash in flow minus :

- (i) Cash out flow
- (ii) Cash receipt
- (iii) Debt
- (iv) None of these

(i) Commercial paper in an unsecured :

- (i) Instrument
- (ii) Fixed Asset
- (iii) Short - term Liability
- (iv) None of these

Group – B

(Long-answer Type Questions)

Answer any **four** questions : 15×4 = 60

2. Explain the term 'Capital Budgeting'. Describe the factors affecting capital expenditure decisions .
3. What do you mean by 'Working Capital' ? How will you classify it ?

4. Capital Structure of A Ltd are as follows :

100000 Equity Shares of Rs 10 each fully paid.

10% 10000 Debentures of Rs 100 each.

12% 2500 Preference Shares of Rs 100 each .

Calculate :

(a) Financial Leverage

(b) EPS

(c) What would be the effect if the EBIT is

(i) Rs. 7,50,000 and

(ii) Rs. 4,00,000.

5. Discuss the major consideration in capital structure planning.

6. Explain the following :

(a) Financial Leverage

(b) Net Present Value

(c) Internal Rate of Return

(d) Pay back period

7. Consider the following information of XYZ Ltd .

EBIT 1120 (Rs in Lakh)

PBT 320 (Rs in Lakh)

Fixed Cost 700 (Rs in Lakh)

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

8. Explain the term 'Cost of Capital'. How will you determine the cost capital from different sources ?

9. Write short notes on inter-relationship between Investment Financing and Dividend dividend. Decision.

