

CONCURRENT EVALUATION FOR FINANCE SPECIALISATION 2019

III SEMISTER ADVANCED FINANCIAL MANAGEMENT (304)

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Important Instructions:

1. The subject is evaluated on the basis of three components

Component No	Component	Marks	Submission Date
1	Written Home Assignment	50	15 th March 2022
2	Situation Analysis	50	19 th March 2022
3	Exam	50	

2. Assignments to be mailed to be submitted in person.
3. Student Name, Contact number, email-id, Specialization, Component must be clearly mentioned.

COMPONENT 1: Written Home Assignment

Q. 1. Sai Ltd Company expects operating profit (EBIT) of Rs 100000. The company has raised 12 % debentures of Rs 300000. The company's equity cost is 13 %. Determine value of the firm and cost of capital.

Q.2. From the followings Balance sheet prepare cash flow statement for the year ended 2020.

Liabilities	1-1-2020	31-12-2020	Assets	1-1-2020	31-12-2020
Share Capital	125000	153000	Cash	10000	70000
Creditors	40000	44000	Debtors	30000	50000
Loan From X	25000	-	Stock	40000	25000
Loan From Bank	40000	50000	Machinery	80000	55000
			Land	35000	50000



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			Building	35000	60000
	230000	247000		230000	247000

During the year a machine costing Rs 10000 with accumulated depreciation Rs 3000 was sold for 5000.

Q.3. The followings are the summaries of the balance sheets of the Bharat Vijay ltd. As on 31-12-2019 and 31-12-2020.

Liabilities	31-12-2019	31-12-2020	Assets	31-12-2019	31-12-2020
Share Capital	300000	400000	Buildings	120000	250000
Debenture	200000	250000	Machinery	300000	260000
Profit & Loss A/C	40000	60000	Stock	90000	80000
Creditors	70000	80000	Debtors	140000	240000
Bank Overdraft	25000	25000	Prepaid Exp	15000	25000
Provision for taxation	30000	40000			
	665000	855000		665000	855000

The followings additional information is obtained:

1. The net profit for the year was Rs 40000 after charging depreciation.
2. During the year depreciation charged was Rs. 30000 on building and Rs. 40000 machinery.
3. The company purchased during the year buildings worth Rs. 160000.
4. Dividend paid during the year amounted to Rs. 20000.

From the above information, prepare a statement of sources and application of funds for the year 2020.

Q.4. XYZ Ltd. provides you with the followings financial information as 31st March-2018.

Particular	Amount (Lakh)
Share Capital	981.46
Reserves and surplus	1313.62
Long term Debt	144.44
Trade Payables	20.38

Additional information provided is as follows:

- 1) Profit before interest and tax is Rs 2202.84 Lakhs.
- 2) Interest paid is Rs 13.48 Lakhs.
- 3) Tax rate is 30%
- 4) Cost of equity = 12.42% and cost of debt = 6.53%.

Required

Calculate Economic Value Added (EVA) of XYZ Ltd.

Q.5. The expected Earnings before interest and taxes (EBIT) of a firm is ` 4, 00,000. It has issued equity share capital and the cost of equity is assumed to be 10%. It has also issued 8% debt of ` 5, 00,000. Find out the value of firm and overall cost of capital (WACC) as per Net Income Approach.

Q.6. Explain Structure of Financial System.

Q.7. Rupa Ltd.'s EBIT is Rs 5, 00,000. The company has 10%, Rs 20Lakh debenture. The equity capitalization rate. i.e. K_e is 16%

You are required calculate.

- 1) Market Value of equity and value of firm.
- 2) Overall Cost of Capital.

Q. 8. Followings data is available in respect of two companies having same business risk.

Capital Employed = Rs 2, 00,000, EBIT = Rs 30,000

$K_e = 12.5\%$



Sources	Levered Company (Rs)	Unlevered Company (Rs)
Debt (@10%)	1,00,000	Nil
Equity	1,00,000	2,00,000

Investors is holding 15% shares in levered company. Calculate increase in annual earning of investors if he switches his holding.

Q.9. The help of followings fig. Calculate the market price of share of a company by using.

- 1) Walter’s formula
- 2) Dividend Growth model (Gordon’s Formula)

Particular	Amount (Rs)
Earnings Per Share (EPS)	10
Dividend Per Share (DPS)	6
Cost of Capital (Ke)	20%
Internal Rate of Return on investment	25%
Retention Ratio	40%

Q.10. The P/E ratio i.e. price earnings ratio can be computed with the help of the formula.

$$\text{P/E Ratio} = \frac{\text{MPS}}{\text{EPS}}$$

COMPONENT 2: Situation Analysis

Q.1. Countries like China & India stand to benefit from low crude-oil prices and a younger population which can kick in low-ticket consumption demand. While the world is currently dominated by right-wing politicians who propagate the concept of ‘Make Local, Consume Local’, the world will find comfort, once again, in the arms of capitalism. Free markets and abolishment of trade restrictions can be expected in the post-Covid era.

Q.2. Rs 5000 invested in January would fetch you 100 units compared to just 21 units in the month of April. Thus by investing the same amount of Rs 5000 every month, you buy more units when the market is down and buy fewer units when the market is up. Thus lowering your average cost per unit. SIP acts as an excellent means by which you can save time and efforts in tracking the stock market movement.

COMPONENT 3: EXAM

Exam for all units.