

23. How cash flows are estimating on prime time business?
24. What are the different components of working capital?
25. Explain the benefits of stable dividend policy.

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65152/KDA1B

Time : Three hours

Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer any TEN questions each in 50 words.

1. What is finance?
2. What is long term finance?
3. What is capitalisation?
4. What is EBIT?
5. Define in the term cost of capital.
6. What is dividend?
7. What is investment policy?
8. What is sensitivity analysis?
9. What is networking capital?
10. Define in the term risk.
11. What is collection policy?
12. What is EBIT?

PART B — (5 × 5 = 25 marks)

Answer any FIVE questions each in 200 words.

13. What are the sources of short term finance?
 14. Find out degree of operating leverage from the following data.

	Rs.		Rs.	
EBIT (2014)	1,00,000	Sales (2014)	50,000	units
EBIT (2015)	1,10,000	Sales (2015)	65,000	units

15. BR Ltd issued 50,000, 10% debentures of Rs. 100 each, the cost of issue was 2.5%. The company's income tax rate is 35%. Determine the cost of debt after tax. If they were issued
 (a) at par
 (b) at a premium of 5% and
 (c) at a discount of 10%
16. Write the concept of alternative investment proposals.
17. Rose Ltd is engaged in customer retailing. You are required to estimate its working capital requirements from the following data.

	Rs.
Projected annual sales	9,00,000
Percentage of net profit and cost of sales	20%
Average credit allowed to debtors	1 month
Average credit allowed by creditors	2 months
Average stock carrying (in terms of sales requirements)	2½ months

Add 10% to allow for contingencies.

18. Outline the tools of financial management.
 19. How average collection period is determined?

PART C — (4 × 10 = 40 marks)

Answer any FOUR questions each in 500 words.

20. Explain the various goals of finance function.
21. Ani Ltd. is expecting an annual EBIT of Rs. 2,00,000. The company has Rs. 2,00,000 in 10% debentures. The equity capitalisation rate (ke) is 12%. You are required to ascertain the total value of the firm and overall cost of capital. What happens, if the company borrows Rs. 2,00,000 at 10% to repay equity capital using net income approach?
22. Following information is available with regards to capital structure of Jayam Ltd.

Particulars	Amount	After tax-cost of capital in%
Debentures	12,00,000	5%
Preference share capital	4,00,000	10%
Equity share capital	8,00,000	15%
Retained earnings	16,00,000	12%

You are required to calculate WACC.