

M.L.DAHANUKAR COLLEGE COMMERCE
EXTERNAL FINAL EXAMINATION –March/April 2024
SYBFM SEM IV
SUBJECT :Debt Market II

Marks:75

OK
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Date: 26/03/2024

Time : 7:30-10:00

Q1A) Multiple Choice Questions (any 8 out of 10)

8 marks

1. _____ indicators can forecast the future movements of a country's economy.
 - (A) Growth
 - (B) Time
 - (C) Leading
 - (D) Historical

2. For a non-callable bond, duration _____ the amount by which the price will rise as the yield falls.
 - (A) over predict
 - (B) under predict
 - (C) correctly predict
 - (D) do not predict

3. _____ gives bondholders the right but not the obligation to sell their bonds back to the issuer at a predetermined price and date.
 - (A) Zero coupon bonds
 - (B) Callable bonds
 - (C) Amortising bonds
 - (D) Puttable bonds

4. If rates were expected to increase, then bonds with _____ would be purchased.
 - (A) shorter durations
 - (B) longer durations
 - (C) equal durations
 - (D) Option A or Option B

5. Full form of innovative financial product CDO is _____.
 - (A) Collective Debt Object
 - (B) Collateral Debt Obligation
 - (C) Coupon Debt Object
 - (D) Credit Debt Obligation

6. _____ is an event risk.
 - (A) natural disaster
 - (B) corporate restructuring
 - (C) regulatory change
 - (D) All of the above

7. A portfolio is immunized when its duration _____ the investor's time horizon.
 - (A) more than
 - (B) less than
 - (C) equal
 - (D) Option B or Option C

8. _____ is an active bond strategy.

- (A) Pure bond indexing
- (B) Bond Immunization
- (C) Cash Flow Matching
- (D) Quality Swaps

9. Price of Puttable bond = _____

- (A) Price of Option free bond - Price of Put Option
- (B) Price of Option free bond - Price of Call Option
- (C) Price of Option free bond + Price of Put Option
- (D) Price of Option free bond + Price of Call Option

10. In binomial model short interest rate can take on one of _____ possible values.

- (A) one
- (B) two
- (C) three
- (D) four

Q1B) True or False (any 7 out of 10)

7 marks

1. Reinvestment risk is the risk that the return realized from investing in a bond will not be sufficient to offset the loss in purchasing power.
2. As interest rates increase, duration decreases and the bond's sensitivity to further interest rate increases goes down.
3. Inflation link bond investors receive monthly income consisting of a blend of principal and interest payments from a pool of mortgages.
4. During recessions, RBI reduce deflationary forces by increasing interest rates.
5. Portfolio with a negative duration will increase in value when interest rates fall.
6. Higher interest rates attract foreign capital and cause the exchange rate to rise.
7. The bond market is likely to react positively if the GDP value is at or below the expected value.
8. The trade take place from ex-date is not eligible for interest payment for that period.
9. Longer the duration of a bond, the greater the margin of error.
10. Barbell strategy is one that has a concentration in both short and long-term bonds.

Q2 A Explain economic indicator with help of lagging indicator in bond market. 8 Marks

Q2 B What are the benefits of investing in Fixed Income Securities? 7 Marks

OR

Q2 P Explain effect of Industrial Index Production on bond market. 8 Marks

Q2 Q What are advantages & limitation of duration? 7 Marks

Q3 A Explain in detail the backward Induction process. 8 Marks

Q3 B What is negative convexity? Support it with diagram. 7 Marks

OR

Q3P What is yield curve shift strategy? 8 Marks

Q3 Q What is Hybrid instrument? Highlight its importance in detail. 7 Marks

Q4 A Investor Mr. Chitale holds investments in a bond with 18% annual coupon paying bond for the term of 7 years with Rs.100 as face value. If the bond is currently discounting at 20% with YTM of 15%. If He is expecting volatile interest market, then assess the risk attached to bond with modified duration. 8 Marks

Q4 B At the beginning, Bond price is Rs.10,000, if the yield increases by 500 bps then price of the bond will decline to Rs.9000 & if the yield decreases by 500 bps then price rise to Rs.11200. Calculate convexity of the bond. 7 Marks

OR

Q4P Ms. Radha is planning to invest in a bank FD with Rs.1,00,000 par value bearing coupon rate of 12% p.a. for 2 years available at discount rate of 8 % p.a., calculate intrinsic value of the bond and give her right recommendation if coupons are paid quarterly. 8 Marks

Q4 Q Calculate Macaulay's duration of the bond if bond is priced at Rs.2000 offering interest rate @20% p.a. for the term of 7 years. Assume cut off rate is 19% p.a. 7 Marks

Q5 A What is Puttable bond? How do you value Puttable bond? 8 Marks

Q5 B What is Fundamental credit analysis strategy? 7 Marks

OR

Q5 **Write Short Notes On (any 3)** 15 Marks

- 1 Tracking error
- 2 Macaulay duration
- 3 GDP and effect on bond market
- 4 Hybrid Portfolio Management Strategy
- 5 Advantages & Disadvantages of Fixed Income Securities

M.L.DAHANUKAR COLLEGE COMMERCE
EXTERNAL FINAL EXAMINATION –March/April 2024
SYBFM SEM IV

Marks:75

SUBJECT :EQUITY MARKET II

Date: 27/03/2024

Time : 7:30-10:00

Q1A) Multiple Choice Questions (any 8 out of 10)

8 marks

1. _____ is one of the most critical factors to be considered while investing in any company.
(i) Management (ii) CFO (iii) Auditors (iv) Location of the company
2. The form says that prices fully reflect all information, whether publicly available or not.
(i) Strong (ii) Semi Strong (iii) Weak (iv) None of these
3. No prior Government approval is required for.....route in FDI
(i)Automatic (ii) Prior approval (iii) Post approval (iv) none of these
4. approach for fundamental analysis means beginning your analysis on a economic level right from the start.
(i) Bottom up (ii) Top down (iii) Side way (iv) none of these
5. analysis is a method of evaluating securities by analysing the statistics generated by market activity, such as past prices and volume.
(i) Technical (ii) Fundamental (iii) sentimental (iv) none of these
6. Fundamental analysis is a _____ methodology.
(i) Inflation Valuation (ii) Volume valuation (iii) Stock valuation (iv) Money valuation
7.is the process by which an investor can get stocks converted into electronic form maintained in an account with the Depository Participant (DP).
(i) Dematerialization (ii) Trading (iii) Selling (iv) None of these
8. In order the buying or selling price has to be mentioned and when the stock price comes to that price then your order will get executed with the mentioned price by you.
(i) Market (ii) Limit (iii) Stop loss (iv) None of these
9. FDI is permitted in ...
(i) Banking (ii) Telecom (iii) Insurance (iv) All of these
10. Process of setting aside a portion of current income for future use is known as
(i) Savings (ii) capital (iii) Investments (iv) Expenditure

Q1B) True or False (any 7 out of 10)

7 marks

1. To find the intrinsic value of a company, the fundamental analyst initially takes a bottom-up view of the company performance, its financial condition, industry analysis etc
2. Lower-beta stocks mean greater volatility and are therefore considered to be riskier.
3. If the intrinsic value of a stock is below the market price, the investor would buy the stock because he believes that the stock price is going to fall and come closer to its intrinsic value.
4. The "new issues market" -- where first-time security issues are offered for sale -- is called the secondary market.
5. Behavioural Finance is a field of finance that proposes psychology-based theories to explain stock market anomalies.
6. Market is bearish when high volume is combined with a rising price
7. Urjit patel is the current chairman of SEBI
8. A jobber is an independent dealer in securities, purchasing or selling securities on his own account
9. Online trading consumes more time as compare to manual trading.
10. FII inflow has positive impact on the importers.

- Q2 A Distinguish between FDI and FII 8 Marks
 Q2 B What are the objectives of disinvestment? 7 Marks
- OR
- Q2 P Explain any four important ratios used while performing fundamental analysis 8 Marks
 Q2 Q Explain fundamental analysis with example of Top-Down approach 7 Marks
- Q3 A Write a note on Market Analysis? Explain different types of market analysis? 8 Marks
 Q3 B Explain Domestic Savings and Investments. 7 Marks
- OR
- Q3P Calculate the Price /Book value, Current, Debt Equity and EPS ratios with the help of following information 8 Marks
 Market price of stock – Rs 950
 Current Assets – Rs 110 Cr
 Current Liabilities – Rs 130 Cr
 Shareholder Equity – Rs 550 Cr
 Long Term Debt – Rs 850Cr
 Book Value – Rs 950
 Outstanding Shares – 10 Cr
 Retained Earnings – Rs 50 Cr
- Q3 Q Calculate the total brokerage payable by Investor A on Day 1 and Day 2. 7 Marks
 Day 1: Investor A buys 1000 shares of RIL @ Rs 2450 and Sells 500 shares @ Rs 2490 on the same day. He also buys 350 shares of TATA Motors @ Rs 650 and takes delivery for the same.
 Day 2: He sells 500 shares of RIL @ Rs 2520 and 350 shares of TATA Motors @ Rs.750
 Intraday brokerage is 0.2% and Delivery brokerage is 0.7%.
- Q4 A Explain Clearing and Settlement process in Secondary Market. 8 Marks
 Q4 B Explain types of FDI with example 7 Marks
- OR
- Q4P Suppose Airtel. just paid a dividend of Rs 5.50. It is expected to increase its dividend by 4% per year. If the market requires a return of 19% on assets of this risk, how much should the stock be selling for? 8 Marks
- Q4 Q With the help of following Company data. Calculate Z Score and comment on the company Debt stability. 7 Marks
- Balance sheet of HUL as of 31st March 2023
 Working Capital: Rs 500 Cr
 Total Assets: Rs 1000 Cr
 Retained Earnings: Rs 44 Cr
 Earnings before Interest and Taxes: Rs 350 Cr
 Market Value of Equity: Rs 750 Cr
 Total Liabilities: Rs. 390 Cr
 Sales: Rs. 900 Cr
- Using the below formula

$$Z = 1.2T1 + 1.4T2 + 3.3T3 + .6T4 + .999T5$$
- Q5 A Explain types of Stock Trading 8 Marks
 Q5 B What is Demat account and why is it is required? 7 Marks
- OR
- Q5 Write Short Notes On (any 3) 15 Marks

- 1 Economic Indicators for Fundamental Analysis
- 2 SWOT Analysis
- 3 Right of Investors
- 4 Analysis of financial statements
- 5 Weak and Semi Strong Efficient Market Hypothesis

M.L.DAHANUKAR COLLEGE COMMERCE
EXTERNAL FINAL EXAMINATION –March/April 2024
SYBFM SEM IV

Marks:75

SUBJECT :FOREIGN EXCHANGE MARKETS

Date: 28/03/24

Time : 07:30- 10:00

Q1A) True or False (any 8 out of 10)

8 marks

1. When the exports of the country exceed the imports of the country, the Balance of Payments is in deficit.
2. An exporter will buy a put option to hedge their exposure.
3. USD/PHP = 56.20 is a direct quote in USA.
4. Initial Margin is required on a Forward contract.
5. Value Date for a 6-month forward transaction done on 02-04-24 is 02-10-24.
6. Countries with a nonconvertible currency do not have a significant foreign exchange risk.
7. The GBP account of Axis Bank, Mumbai in Standard Chartered Bank, London is Axis Bank's Nostro account.
8. The exchange rate regime in India is Managed Float regime.
9. A steel company holding raw material of steel will hedge the exposure by going short the commodity contract.
10. The currency convertibility for AED currency is higher compared to the USD currency.

Q1B) Multiple Choice Questions (any 7 out of 10)

7 marks

1. An order where price is of essence is a:
 - i. Market Order
 - ii. Limit Order
 - iii. Stop Loss Order
2. A currency swap contract does NOT involve:
 - i. Exchange of principal amounts
 - ii. Exercise of contract anytime during the life of the trade
 - iii. Exchange of interest payments
3. In case interest rates are rising in the market, a trader will prefer to:
 - i. Pay Fix, Receive Float on the Interest Rate Swap
 - ii. Buy a Forward contract
 - iii. Pay Float, Receive Fix on the Interest Rate Swap
4. A transaction where the exchange of currencies takes place on the next business day is called:
 - i. Cash
 - ii. Tom
 - iii. Spot
5. Which of the following forward contracts can be settled anytime during the life of the contract:
 - i. Partially Optional contract
 - ii. Non-Deliverable Forward contract
 - iii. Fully Optional contract
6. The buyer of a USD/INR put option will benefit when the USD:
 - i. Appreciates
 - ii. Depreciates
 - iii. Does not change
7. Which of the following is NOT a feature of Forwards:

- i. OTC contract
 - ii. Daily mark-to-market
 - iii. Customized contract
8. The act of simultaneous buying and selling the foreign currency with a view to earn gains from mispricing in two different markets for the same currency is:
- i. Arbitrage
 - ii. Speculation
 - iii. Hedging
9. In case the USD is appreciating, an exporter will prefer to:
- i. Lead the receipt
 - ii. Lag the receipt
 - iii. Not action; since it does not impact an exporter
10. The INR account of Barclays Bank, London opened with ICICI Bank, Mumbai is an example of:
- i. Nostro account
 - ii. Vostro account
 - iii. Loro account

Q2 A Causes for Fluctuation in Foreign Currency. 8 Marks
 Q2 B PQR & Co. has a lending requirement of INR 10 million for 3 months. 7 Marks
 Interest rate in USA are: 4.00%-4.50%
 USD/INR Spot rate: 83.00/ 83.40
 USD/INR 3-month Forward: 84.30/ 84.70
 Calculate the Interest Receivable in INR for the Lending decision?

OR

Q2 P Mention the Internal Hedging Strategies employed by organizations for foreign exchange risk management. 8 Marks
 Q2 Q Define Direct quote, Indirect quote. In each quote, identify the country where the below is a Direct quote & calculate the corresponding Indirect quote and the Forward rate using Holgate principle: 7 Marks

Quote	Spot Bid	Spot Ask	Swap point Bid	Swap point Ask	Country	Forward Bid	Forward Ask
EUR/USD	1.0920	1.0940	0.0180	0.0260	?	?	?
SGD/INR	62.1500	62.2500	0.4500	0.3500	?	?	?

Q3 A Answer in brief about products used for Foreign Exchange Transfer Mechanisms. 5 Marks
 Q3 B The interest rates in USA, India & the USD/INR exchange rate quoted are as below: 10 Marks
 Interest Rates in: USA: 4.50% ; India: 8.10%
 USD/INR Spot rate: 83.00
 USD/INR 4-month Forward: 84.50
 Write with calculations the arbitrage opportunity for 4-month period under covered interest rate arbitrage on a notional of USD 1,000,000.

OR

Q3P Characteristics of Foreign Exchange Market. 8 Marks

Q Calculate the 7-month forward USD/INR rate basis below quotes:

7 Marks

USD/INR	Bid	Ask
Spot	88.80	83.30
Swap Points:		
6-month	0.30	0.40
12-month	0.70	0.85

Q4 A Distinguish between FEMA & FERA.

8 Marks

Q4 B A trader in India is quoting SGD/INR, USD/INR at below levels:

7 Marks

	SGD/INR	USD/INR
Spot	62.00/62.3	83.30/83.55
6-month Swap Points	0.20/0.30	0.40/0.55

If a trader in Singapore is quoting 6-month forward USD/SGD at 1.3650/1.3750, is arbitrage gain possible (do not compute gain)?

OR

Q4P Impact of Liberalization on Indian Forex Market.

8 Marks

Q4 Q Calculate the Percentage Spread on the Spot quote & the Annualized Forward Margin for below USD/INR quote:

7 Marks

USD/INR	Bid	Ask
Spot	83.10	83.40
3-month swap points	0.25	0.45
% spread	?	
AFM	?	?

Q5 A Distinguish between Fixed Exchange Rate regime & Floating Exchange Rate regime.

8 Marks

Q5 B Below are the exchange rates quoted by two banks at different locations. Show with calculation if gain from triangular arbitrage is possible. If yes, calculate the arbitrage gain on a notional of USD 1,000,000:

7 Marks

Bank	Quote	Bid	Ask
1	USD/INR	82.80	82.90
	SGD/INR	61.80	62.10
2	USD/SGD	1.3450	1.3500

OR

Q5 Write Short Notes On (any 3)

15 Marks

- 1 Disadvantages of Currency Convertibility.
- 2 Functions of a broker.
- 3 Reasons for failure of Bretton Woods system.
- 4 The terms used in options trading.
- 5 Participants of Foreign Exchange Market.

M. L. DAHANUKAR COLLEGE COMMERCE
EXTERNAL FINAL EXAMINATION – March/April 2024

Marks:75

SYBMS/SYBFM/SYBBI SEM IV

SUBJECT: BUSINESS ECONOMICS – II

Date: 30/03/2024

Time:7:30-10:00

Q1A) True or False (any 8 out of 10)

8 marks

1. Services of housewives have to be included to calculate Net Economic Welfare.
2. Induced investments are profit oriented.
3. Less than full employment equilibrium is very rare in reality.
4. Inflation Targeting was first adopted by the Reserve Bank of New Zealand.
5. The term “the supply of money” is synonymous with “money supply.”
6. Externalities affect resource allocation and result in less welfare.
7. Fiscal policy is formulated by the central bank.
8. The burden of a direct tax cannot be shifted.
9. Arbitrage takes place because of differences in the exchange rate at different places.
10. Quotas are more effective than tariffs.

Q1B) Multiple Choice Questions (any 7 out of 10)

7 marks

1. Says Law of market states that _____.
 - a) demand creates its own supply
 - b) supply creates its own supply
 - c) the normal state of economic affairs is recession
 - d) supply creates its own demand
2. Macro economics analysis is of paramount importance in getting us an idea of the functioning of an _____.
 - a) economic system
 - b) environment system
 - c) marginal product
 - d) total product
3. Money Supply M1 includes _____.
 - a) $M1 = C + DD + OD$
 - b) $M1 = C + DD + \text{Time Deposits with the banks}$
 - c) $M1 = C + DD + \text{Deposits with post offices}$
 - d) $M1 = C + DD + \text{Deposits with Non-Banking Finance Companies}$
4. In hyperinflation there will be _____.
 - a) 10 % increase in price per annum
 - b) 5 % increase in price per annum
 - c) 15 % increase in price per annum
 - d) No upper limit of price rise
5. Speculative demand for money depends upon _____.
 - a) Income
 - b) Investment
 - c) Rate of interest
 - d) Central bank
6. The canon of _____ implies that the burden of taxation must be distributed equally.
 - a) certainty
 - b) equality
 - c) convenience
 - d) diversity

7. _____ is a one-time tax levied for debt redemption.
- Capital levy
 - Funded debt
 - Unfunded debt
 - Sinking fund
8. Commodity terms of trade is also known as _____.
- Net barter terms of trade
 - Gross barter terms of trade
 - Income terms of trade
 - Utility terms of trade
9. The balance of trade is given by _____.
- income receipts minus income payments on investments
 - the balance of unilateral transfers
 - merchandise exports and service exports minus the sum of merchandise imports and service imports
 - merchandise exports minus merchandise imports
10. Exchange rates are determined in _____.
- the money-market
 - the foreign exchange-market
 - the stock-market
 - the capital-market

Q2 A Explain the circular flow of income and expenditure in a four-sector economy. 8 Marks

Q2 B What are trade cycles? Discuss its features. 7 Marks

OR

Q2 P What are the various factors determining consumption function? 8 Marks

Q2 Q Discuss the various concepts of national income. 7 Marks

Q3 A What are the causes of inflation? 8 Marks

Q3 B What are the quantitative instruments of monetary policy? 7 Marks

OR

Q3P Explain the classical approach to demand for money. 8 Marks

Q3 Q Describe the determinants of money supply. 7 Marks

Q4 A Explain the types of public debt. 8 Marks

Q4 B What are the causes for the rapid growth of public expenditure. 7 Marks

OR

Q4P Examine the structure of Union budget. 8 Marks

Q4 Q Explain the features of FRBM Act. 7 Marks

Q5 A Discuss the merits and demerits of fixed exchange rate system. 8 Marks

Q5 B Explain the Ricardian Theory of comparative cost. 7 Marks

OR

Q5 **Write Short Notes On (any 3)** 15 Marks

1 Multiplier.

2 Velocity of circulation of money.

3 Sound finance.

4 Free trade vs Protection trade.

5 Devaluation.

M.L.DAHANUKAR COLLEGE COMMERCE
EXTERNAL FINAL EXAMINATION –March/April 2024
SYBFM SEM IV
SUBJECT :BUSINESS LAW

Marks:75

Date: 01/04/2024

Time : 7:30-10:00

Q1A) Match the column (any 8 out of 10)

8 marks

A

B

- | | |
|----------------------------------|--|
| 1. Association Clause | a. Partner who lends only his name |
| 2. Turquand rule | b. Conversion of Unlisted company to LLP |
| 3. Sound recording rights | c. Whistle Blowing |
| 4. Hospitality Services | d. Powers of civil court |
| 5. Profit sharing in partnership | e. fiduciary relation with company |
| 6. Nominal partner | f. Subscription clause |
| 7. Schedule IV of LLP Act | g. Doctrine of Indoor Management |
| 8. Sec. 31 of LLP | h. Copyright |
| 9. SAT | I. Trademark |
| 10. Promoter | j. Prima facie evidence |

Q1B) True or False (any 7 out of 10)

7 marks

1. The Only cause in MOA which can not be altered is Capital Clause.
2. Prospectus is issued in case of every company irrespective of its types.
3. There has to be minimum 1 Designated Partner in LLP.
4. Goodwill is not the type of Partnership property.
5. Copyright is issued for 10 years.
6. SARFAESI Act gives power to Bank to attache property of borrower if he defaults in payment without going to civil court.
7. The SCR Act is not applicable to RBI.
- 8.. Prohibition of Insider trading is SEBIs protective type of function
9. Lock in period for promoters contribution is 3 years.
10. Sleeping partner is also knows as dormant partner under Partnership Act

Q2 A Explain the Formation of the Company and what stages does is include ?

15 Marks

OR

Q2 P Explain rights and liabilities of member.

8 Marks

Q2 Q Who is Director and who is not eligible for appointment as a director of a company ?

7 Marks

Q3 A What is Patent and what is the procedure for obtaining patent in India ?

8 Marks

Q3 B Explain Geographical indication and Design as per IPR.

7 Marks

OR

Q3P What do you mean by fair use under copyright and also explain the right of copyright holder.

8 Marks

Q3 Q What is Trade mark ? Explain different types of Trademark

7 Marks

Q4 A Define Partnership and what are its characteristics ?

8 Marks

Q4 B Distinguish between Partnership and Co-ownership

7 Marks

OR

Q4P Define LLP and what are its characteristics ?

8 Marks

Q4 Q Explain the procedure for Conversion of Firm into LLP.

7 Marks

Q5 A What is SARFAESI Act 2002 ? what is the features of the Act ?
Q5 B Explain Powers of SEBI

8 Marks
7 Marks

Q5 **Write Short Notes On (any 3)**

15 Marks

- 1 DIN
- 2 Types of Partners
- 3 Asset Reconstruction under SARFAESI Act
- 4 Bonus Issue
- 5 Doctrine of Ultra Vires

M. L. DAHANUKAR COLLEGE OF COMMERCE
SEM-IV EXAMINATION MARCH
Class: S.Y.B.F.M.
PERSONAL FINANCIAL PLANNING

Total: 75 Marks
Date: 02/04/2024

Time: 7:30-10:00

All questions are compulsory

Q.1. (A) Match the columns (any 8) (8)

Sr.	Column A	Sr.No.	Column B
1	Managing your health	a	Parameter for deciding on investment options
2	Monitor the Plan	b	Low risk profile
3	Net Worth	c	Snapshot of wealth
4	Education Planning	d	Don't keep all the eggs in the same basket
5	Future financial planning	e	High risk profile
6	Future & options	f	Forecasting
7	Diversified portfolio	g	Children Education
8	Personal balance sheet	h	Shareholders fund
9	Fixed Deposits with SBI	i	Review the Plan
10	Return on Investment	j	Medical insurance is a must

Q.1 (B) True / False (any 7) (7)

- 1) Value investors actively seek stocks they believe the market has overvalued.
- 2) Developing investment plan without considering the client's goals is a right way of PFP.
- 3) Cultural set up plays important role in investment decisions in Indian families.
- 4) Cash flow statement shows the movement in the saving account of a company.
- 5) Budgeting is a very time-consuming exercise.
- 6) IRR is a metric used in capital budgeting for measuring the profitability of potential investments.
- 7) Cash controlling becomes essential as it increases the availability of usable cash.
- 8) Real rate of return is the amount of money generated by an investment before factoring for taxes.
- 9) Investment decisions should be based on emotions and not on financial analysis.
- 10) Determining current financial position of the client is not required while preparing financial plan.

Q.2 (a) Explain "Determine Your Current Financial Situation" as a step of Personal Financial Planning. (8)

(b) Explain the importance of Evaluating the Alternatives available for investment. (7)

OR

Q.2 (p) Explain the concept of Tax planning. (8)

(q) Explain the meaning of Personal Finance. (7)

Q.3 Prepare Cash Budget of SR limited from the data given below for a period of July to December. (15)

Month	Sales (Rs.)	Purchases (Rs.)
May	1,87,500	93,750
June	1,87,500	93,750
July	3,75,000	1,31,250
August	5,62,500	9,18,750
September	7,50,000	3,18,750
October	3,75,000	2,43,750
November	3,75,000	1,68,750
December	3,43,750	-

- 1) Collection estimate: 5% within the month of Sales, 80% during the month following the sales and 15% during the second month following the sales.
- 2) Payment for purchases is made in the next month.
- 3) Salary of Rs.28,125 , Lease payment of Rs.9,375 & miscellaneous expenses Rs.2,875 are paid each month.
- 4) Monthly depreciation is Rs.37,500
- 5) Income tax Rs.65,525 each is paid in September and December.
- 6) Payment for research expenses in October Rs.1,87,500.
- 7) Opening balance as on 1st July Rs.1,37,500.

OR

Q.3 Prepare an amortization schedule from the following information, assuming that the principal amount is repayable equally along with interest payable on unpaid loans. (15)

Amount Borrowed: Rs.6,00,000

Annual Interest: @ 12%

Repayment Period: 10 Years.

Q.4 M/s. RS limited has an investment opportunity worth Rs.40,000/- with the following Net cash flow. (15)

Year	Cash Inflow	PV factor @ 10%	PV factor @ 15%
1	7,000	0.909	0.870
2	7,000	0.826	0.756
3	7,000	0.751	0.658
4	7,000	0.683	0.572
5	7,000	0.621	0.497
6	8,000	0.564	0.432
7	10,000	0.513	0.376
8	15,000	0.467	0.327
9	10,000	0.424	0.284
10	4,000	0.386	0.247

Calculate Internal Rate of Return (IRR) with the help of 10% discounting factor and 15% discounting factor. Give your comments.

OR

Q.4(p) Dr. Arnab purchased 400 shares of Ashok Leyland @ Rs. 61 each on 15th October, 2014. He paid brokerage of Rs.600. The company paid the following dividends: (10)

June 2015 : Rs.800

June 2016 : Rs.1,000

June 2017 : Rs.1,200

He sold all his holding for Rs.34,500 on 15th October, 2017.

Calculate, Holding Period Return & Annualized Return

(q) If you invest Rs.10,000 in Jan 2010 and receive back Rs.19,500 by selling the units after 4 years, what will be the CAGR that your investment will earn? (5)

Q.5 (a) Explain the concept of Behavioural Finance. (8)

(b) What are the common mistakes people make while deciding the investments. (7)

OR

Q.5 Short Notes (any 3) (15)

1) CAGR

2) Holding period return

3) Savings ratio

4) Current Ratio

5) Retirement Planning

M.L.DAHANUKAR COLLEGE COMMERCE
EXTERNAL FINAL EXAMINATION –March/April 2024
SYBFM SEM IV

Marks:75

SUBJECT : CORPORATE FINANCE

Date: 03/04/2024

Time : 7:30-10:00

Q1A) Multiple Choice Questions (any 8 out of 10)

8 marks

1. The most crucial financial decision of the organisation is taken by _____.
 - (a) Lower Level Management
 - (b) Middle Level Management
 - (c) Higher Level Management
 - (d) Employees

2. A portion of profits, which a company distributes amongst its shareholders is called _____.
 - (a) Coupon
 - (b) Capital Gain
 - (c) Dividend
 - (d) Flootation Cost

3. Cost of _____ is considered after tax.
 - (a) Equity
 - (b) Preference
 - (c) Debt
 - (d) Retained earnings

4. Contribution = Profit plus _____.
 - (a) Fixed Cost
 - (b) Variable Cost
 - (c) Semi-Variable Cost
 - (d) Actual Sales

5. _____ refers to the mix of a company's debt and equity.
 - (a) Capital Structure
 - (b) Capital Budgeting
 - (c) Capital rationing
 - (d) Capital Stock

6. Project should be accepted if, _____.
 - (a) Profitability index is less than 1
 - (b) NPV is less than zero
 - (c) Cost of capital is lower than IRR
 - (d) Cost of capital is higher than IRR

7. When an immovable property is given as security for obtaining a loan, it is called _____.
 - (a) Hypothecation
 - (b) Lien
 - (c) Pledge
 - (d) Mortgage

8. Factoring is a source of _____.
- Short term finance
 - Medium term finance
 - Long term finance
 - Perpetual source of finance
9. _____ is a traditional method of evaluating Capital Budgeting Decision.
- NPV
 - Profitability Index
 - IRR
 - (d) Pay-back profitability
10. _____ lease is for a longer period.
- Operating
 - Financial
 - cross border
 - leveraged lease

Q1B) True or False (any 7 out of 10)

7 marks

- In break-even chart, Fixed Cost line will be a straight line.
- Benefit-Cost ratio is a modern method of capital budgeting.
- Commercial paper is a money market security
- Capital Budgeting is related to long term assets
- Breakeven point is that quantity of output where total revenue is equal to total costs.
- Cumulative preference shares mean unpaid dividends will be paid in the future.
- Fixed Cost per unit changes with change in volume of output.
- Indifference point refers to that EBIT level at which EPS remains the same irrespective of the debt-equity mix
- In optimal capital structure the company's cost of capital will be minimum.
- Excess of the present value of cash out flows over the present value of cash inflows is called NPV.

Q2 A Calculate assuming fixed cost remains same in both years

15 Marks

- P/V Ratio
- Fixed Cost
- Break-even sales volume
- Sales to earn a profit of ₹ 12,000
- Profit when sales are ₹ 7,50,000
- MOS for both the years
- Revised BEP if fixed cost increases by 20%

YEAR	SALES	PROFIT
2018	4,00,000	40,000
2019	6,00,000	80,000

OR

Q2 P

Jugnu Ltd. has the following capital structure

15 Marks

Ordinary shares (50,000 shares of Rs.100 each)	50,00,000
9% Preference Shares	20,00,000
10% Debentures	30,00,000
Total	1,00,00,000

The equity shares of the company are quoted at Rs.102 and the company is expected to declare dividend of Rs.9 per share and growth in dividend would be @5%. Assume tax rate to be 50%

Required:

- Calculate the WACC
- Assuming that the company can raise additional 12% Term loan of Rs.50 lakhs to finance an expansion, calculate revised WACC. Due to this the dividend will be Rs.10 per share and market price per share will fall to Rs.95.

Q3 A

A company is considering two mutually exclusive projects. Both the projects have got a useful life of 5 years and the cost of capital is 10%. The initial cost of project is Rs.2,00,000. The future cash inflow from Project X and Y are as under

15 Marks

Year	Project X (Rs)	Project Y (Rs)	PV factor @10%	PV factor @20%
1	35,000	1,18,000	0.91	0.83
2	80,000	60,000	0.83	0.69
3	90,000	40,000	0.75	0.58
4	75,000	14,000	0.68	0.48
5	20,000	13,000	0.62	0.41

Evaluate the projects based on

- NPV @10% discounting factor
- Profitability index @ 10% discounting factor
- Also calculate the IRR of both the projects considering 10% and 20% discounting factor

OR

Q3P

TVS is considering a purchase of a machine. X and Y are the two machines available. From the following information, suggest which of the two is recommended under

15 Marks

- ARR (original Investment)
- NPV
- Profitability index

	Machine X (Rs)	Machine Y (Rs)
Cost	4,00,000	5,60,000
Life	5 years	7 years
Profit after tax		
Year		

1	12,000	10,000
2	12,000	40,000
3	42,000	40,000
4	24,000	20,000
5	12,000	10,000
6	-	10,000
7	-	10,000

Cost of capital is 10%

PV factor @10% for years 1 to 7 are 0.909; 0.826; 0.751; 0.683; 0.621, 0.564 and 0.513

Q4 A Omkar Ltd is considering expansion of its business which requires investment of Rs.100 lakhs. It expects a profit before interest and tax of Rs.25 lakhs. The income tax rate applicable is 35%. 15 Marks

The following three plans are under consideration

Particulars	A	B	C
Equity Capital	50%	30%	25%
10% Preference Capital	30%	20%	15%
12% Debentures	20%	50%	60%
	100%	100%	100%

Note: Face Value of each Shares and Debentures is Rs.100

Evaluate each plan and suggest the best plan that would maximise shareholders value

OR

Q4P Calculate the indifference level of EBIT between plan A and plan B 8 Marks

Funds required for expansion Rs.6,00,000

Tax rate 30%

Financing options

PLAN	EQUITY (Rs.10 each)	9% Debentures	10% Preference Capital
A	2,00,000	2,00,000	2,00,000
B	4,00,000	2,00,000	-

Q4 Q Explain under capitalisation and over capitalisation. 7 Marks

Q5 A Explain the importance of Marginal Costing technique in managerial decision making. 8 Marks

Q5 B What are preference shares? Explain the types of preference shares. 7 Marks

OR

Q5 **Write Short Notes On (any 3)** 15 Marks

1 Financial Lease

2 Commercial Papers

3 Credit rating

4 WACC

5 Break Even Point