Total No. of Questions : 4]

SEAT No. :

PB-1456

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T.Y. B.B.A.

B-606 : CASES IN FINANCE + PROJECT

(2019 Pattern) (CBCS) (Semester - VI)

Time : 2½ Hours] *[Max. Marks : 50*

Instructions to the candidates:

1) *Question No. 1 is compulsory.*
2) *Answer any Two questions from the remaining.*
3) *Use of Calculator is allowed.*

Q1) **A Firm whose cost of capital is 10% is considering two mutually exclusive projects X and Y, the details of which are given below : [20]**

	Year	Project X	Project Y
Initial Investments		1,00,000	1,00,000
Year cash inflows	1	10,000	50,000
	2	20,000	40,000
	3	30,000	20,000
	4	45,000	10,000
	5	60,000	10,000

The present value of Re.1@10% and @15% is as follows :

Year	PV @ 10%	PV @ 15%
1	0.909	0.870
2	0.826	0.756
3	0.751	0.658
4	0.683	0.572
5	0.621	0.497

You are require to calculate :

i) Payback Period
ii) Net Present Value at 10%,
iii) Profitability Index,
iv) Internal Rate of Return (IRR) for the two projects at 15%

Also give your opinion to the management about the option which is financially more preferable.

P.T.O.

Q2) **Mittal Cements Ltd., Mumbai provided the following data :** **[15]**

Particulars	Cost Per Unit (Rs.)
Raw Materials	52
Direct labour	19.5
Overheads	39
Total Cost	110.5
Profit	19.5
Selling price per unit	130

The following additional information is available :

Average raw material in stock : One Month
Average material in process : Half a month
Average finished goods in stock : One Month
Credit allowed by suppliers : One Month
Credit allowed to Debtors : Two Months
Time lag in payment of wages : One and a Half Weeks
Overheads : One Month

One - fourth (1/4) of sales are on cash basis.

Cash balance is expected to be Rs. 1,30,000.

You are required to prepare a statement showing the working capital needed to finance a level of activity of 80,000 units of annual output.

The production is carried throughout the year on even basis and wages and overheads accrue similarly. (Calculation is made on the basis of 30 days a month and 52 weeks a year).

Q3) **Existing capital structure of Cosmos Co. Ltd., Mumbai is as follows :** **[15]**

14% Term Loan from Axis Bank Rs. 10,00,000
12% Debentures (100 each) Rs. 6,00,000
Equity Share Capital (20,000 Shares) Rs. 4,00,000

The equity shares of the company are quoted at Rs. 450/- per share. It is expected that the company will pay current dividend of Rs. 30/- per share. A growth rate of 9% was registered in the past which is expected to be maintained. The tax rate applicable may be assumed at 40%.

Calculate the Weighted Average Cost of Capital (WACC).

Q4) **Existing capital structure of Kelkar Industries Ltd., Pune is as follows :** **[15]**

Equity share capital (1,00,000 Shares)	Rs. 20,00,000
5% Preference Share	Rs. 5,00,000
6% Debentures	Rs. 15,00,000

The market price of the company's equity share is Rs. 20/-. It is expected that the company will pay current dividend of Rs. 3 per share which will grow at 8% forever.

The tax rate applicable may be assumed @ 50%.

The company wants to raise an additional debt of Rs. 10,00,000/- by issuing 8% debentures. But this would result in increasing the expected dividend to Rs.4 and growth rate will remain the Same and the market price of the equity share will fall to Rs. 15 per share.

Management wants to know :

a) What is the Weightage Average Cost of Capital (WACC) under Existing Capital Structure and Revised Capital Structure.

b) What will be the effect of Weightage Average Cost of Capital (WACC) after addition of Rs. 10,00,000/- debt by issuing 8% debentures.

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