Total No. of Questions : 4]

SEAT No. :

PD1434

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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) *Solve any two questions from the remaining.*
3) *Use of calculator is allowed.*

Q1) Shriram Enterprises Pvt. Ltd. is considering purchase of new technology machinery for a project to improve the quality of its products. After the scrutiny of proposals two alternative machines have been recommended by technical experts. Investment required in each machine is ₹ 5,00,000

Net Cash Flow after Tax is estimated is as follows: **[20]**

Year	Machine A (₹)	Machine B (₹)
1	1,50,000	2,50,000
2	2,00,000	1,50,000
3	2,50,000	2,00,000
4	1,50,000	3,00,000
5	1,00,000	2,00,000

Company has a target return on capital of 10% and present value of Re.1 @ 10% as follows:

Year	Present Value of Re.1 @ 10%
1	0.909
2	0.826
3	0.751
4	0.683
5	0.621

As a finance manager, evaluate the above projects under the following methods-

a) Payback Period.

b) Discounted Payback Period.

c) Net Present Value @10%

d) Profitability Index @10%

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

P.T.O.

Q2) From the following information, you are required to estimate the Net Working Capital of Balaji Manufacturing Company. **[15]**

Particulars	**Cost per unit (₹)**
Raw Material	400
Direct Labour	150
Overheads (excluding depreciation)	300
Total	850

Additional information:

Selling price	₹ 1000 per units
Output	52000 units per annum
Raw materials in stock	Average 4 weeks
Work-in-progress	Average 2 weeks

(Assume 50% of completion stage with full material consumption)

Stock of Finished Goods	Average 4 weeks
Credit allowed by suppliers	Average 4 weeks
Credit allowed to debtors	Average 8 weeks

Cash at bank expected to be ₹ 50,000

Assume that production is sustained at an even pace during the 52 weeks of the year.

All sales are on credit basis.

State any other assumptions that you might have made while computing.

Q3) Krishna Ltd. has following capital structure as on 31st March 2023. **[15]**

Sources	Amount (₹)
Equity-5000 shares of ₹ 100 each	5,00,000
9% Preference Shares	2,00,000
10% Debentures	3,00,000
	10,00,000

The equity shares of the company are quoted at ₹ 102 and the company is expected to declare a dividend of ₹9 per share for year 2023.

The company has acquired a dividend growth rate of 5% which is expected to be maintained.

a) Assuming the tax rate applicable to the company is 50%. Calculate the Weighted Average Cost of Capital state your assumptions if any.

b) Assuming in the above exercise, that the company can raise additional Term loan at 12% for ₹ 5,00,000 to finance an expansion.

Calculate the revised weighted Average cost of capital. The company assessment is that it will be in a position to increase the dividend from ₹ 9 per share to ₹10 per share, but the business risk associated with new financing may bring down the market price from ₹102 to ₹96 per share.

Q4) Radhika Ltd. has following capital structure as on 31st March 2023. **[15]**

ABC Limited has the following capital structure:

Equity share capital (2,00,000 Shares)	₹ 40,00,000
6% Preference Shares	₹ 10,00,000
8% Debentures	₹ 30,00,000

The market price of the company's equity share is ₹ 20. It is expected that company will pay a dividend of ₹2 per share at the end of current year, Which will grow at 7% for ever. The tax rate may be presumed at 50%.

You are required to compute the following:

a) A Weighted Average Cost of capital based on existing capital structure.

b) The new Weighted Average Cost of Capital if the company raises an additional ₹20,00,000 debt by issuing 10% debentures.This would result in increasing the expected dividend to ₹3 and leave the growth rate unchanged but the price of equity share will fall to ₹15 per share.

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