DECEMBER 2022 **P/ID 77938/RMB3P**

Time : Three hours Maximum : 80 marks

PART A — (10 × 2 = 20 marks)

Answer any TEN questions

1. What is dividend decision?

2. Mention any four routine function.

3. What is cash credit?

4. Define leasing.

5. Define internal rate of return.

6. Mention the steps involved in capital Budgeting process?

7. Give the formula for Gordon model.

8. What do you mean by business risk?

9. Mention the significance of NOI

10. State the significance of operating leverage.

11. What is meant by credit policy?

12. Define the term cash management.

PART B — ($5 \times 6 = 30$ marks)

Answer any FIVE questions

13. Discuss the importance of venture capital in the present scenario.

14. The expected average per share of a company are Rs.12.5 and the current market price of the share is Rs.90. What is the cost of equity capital.

15. Mohan and co. is considering the purchase of a machine. Two machines X and Y each costing Rs.50,000 are available. Cash inflows are expected to be as under. Calculate pay back period.

Year	Machine X	Machine Y
	Rs.	Rs.
1	15,000	5,000
2	20,000	15,000
3	25,000	20,000
4	15,000	30,000
5	10,000	20,000

16. What are the features of discounted cash flow method of evaluating on investment proposal? Is it a reliable technique?

17. Explain the various methods of computing cost of capital.

18. State the assumptions of M.M Hypothesis on dividend policy.

19. Explain the various sources of working capital management.

PART C — ($3 \times 10 = 30$ marks)

Answer any THREE questions

20. Explain the sources of long term finance in detail with appropriate examples

21. Explain the different techniques of inventory management.

22. Prepare an estimate of working capital requirement from the following information:

    (a) projected annual sales 1,20,000 units

    (b) selling price Rs.10 per unit

    (c) percentage of net profit on sales 30%

    (d) average credit period allowed to debtors 10 weeks

    (e) average credit period allowed by suppliers is 5 weeks

    (f) average stock holding in terms of sales requirement is 3 weeks

    (g) allow contingencies for 15%

23. From the following data calculate Financial, operating, Combined leverage.

Sales 10,000 units Rs. 25 per unit as the selling price

Variable cost Rs.5 per unit.

Fixed cost Rs.30,000

Interest cost Rs.15,000

24. The initial outlay of a project is Rs.1,00,000 and it generated cash outflows of Rs.40,000 Rs.30,000 Rs.50,000 and Rs.20,000. Assume a 10% rate of discount.Calculate profitability Index.

Year	1	2	3	4
Discount factor at 10%	0.909	0.826	0.751	0.683