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SEAT No. :

P1901

[6033]-611

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T.Y.B.B.A.

**B 606 : CASES IN FINANCE+PROJECT  
(CBCS 2019 Pattern) (Semester-VI)**

Time : 2½ Hours]

[Max. Marks : 50

Instructions to the candidates:

- 1) Q.1 is compulsory.
- 2) Answer any Two questions from the remaining.
- 3) Use of calculator is allowed.

Q1) Larsen & Co Pvt Ltd has two alternative investment projects. Both the Projects have an initial investment of Rs. 5,00,000. The estimated earnings after tax for the both the projects are as follows: [20]

Year	Cash Inflows	
	Project A	Project B
1	2,00,000	50,000
2	2,50,000	1,00,000
3	1,00,000	2,50,000
4	2,00,000	3,00,000
5	5,00,000	4,00,000

The expected rate of returns on the capital is 10%.

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

Year	1	2	3	4	5
PV @ 10%	0.909	0.826	0.751	0.683	0.621

Calculate:

- a) Pay Back Period.
- b) Discounted Pay Back Period.
- c) Net Present Value.
- d) Profitability Index.

Give your suggestions to consider Project A or B, on the basis of above methods.

P.T.O.

- Q2) Prepare a statement showing the working capital requirement from the following information provided by a New Manufacturing Unit. [15]

Particulars	
Expected Level of Production (units)	1,20,000
Raw Material cost per unit (Rs.)	2
Direct Labour cost per unit (Rs.)	4
Overheads cost per unit (Rs.)	2
Selling Price Per Unit (Rs.)	10
Holding Period	
Raw Material	3 Months
Work in Process	1 Month
Finished Goods	2 Months

Other Details	
Credit allowed by the suppliers	1 Month
Credit allowed to the Customers	2 Months
Delay in payment of Wages	1 Month
Delay in payment of overheads	1 Month
Expected Cash in hand and at Bank (Rs.)	1,00,000
Production is carried out evenly throughout the year	

- Q3) Following is the capital structure of MNC Ltd, as on 31<sup>st</sup> March 2023. Find the Weighted Average Cost of Capital from the following details [15]

Particulars	Amount
Equity Share Capital	20,00,000
12% Pre. Share Capital	10,00,000
15% Debenture	10,00,000

- The Market Price of the Equity share is Rs. 20 per share.
- Expected Dividend on Equity Share is Rs. 2 per Share, which is expected to grow by 5% every year.
- Assume the Income Tax Rate to be 50%.

What will be the revised WACC if:

- Additional 20% Debentures worth Rs. 20,00,000 are issued.
- Equity Dividend increases to Rs. 6 per share (Assume the growth rate to be 5%) and the Market Price of the share is expected to increase by Rs 30 per share.

Q4) From the following details calculate the following:

[15]

- a) Cost of Equity.
- b) Cost of Debentures.
- c) Cost of Long Term Loan.
- d) Weighted Average Cost of Capital.

Particulars	Amount
15% Long Term Bank Loan	40,00,000
12% Debentures	30,00,000
Equity Share Capital (30000 Shares)	30,00,000
Total Capital	1,00,00,000

- i) The Market value of Equity shares are at Rs. 200 per share.
  - ii) Expected Dividends are Rs. 10 per share. A growth rate of 7% is expected to be maintained.
  - iii) The applicable Income Tax rate is 50%.
- Also Calculate revised WACC and give your opinion if the company is planning to increase (15% Term Loan) by additional Rs. 50,00,000.