

Total No. of Questions : 4]

SEAT No. :

P-5999

[Total No. of Pages : 3

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T.Y. B.B.A.

606B : CASES IN FINANCE
(2019 Pattern) (Semester - VI)

Time : 2½ Hours]

[Max. Marks : 50

Instructions to the candidates:

- 1) *Question No. 1 is compulsory.*
- 2) *Attempt any TWO 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 : **[20]**

Particulars	Year	Project X	Project Y
Investment	0	1,00,000	1,00,000
Yearly 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

Compute the Net Present Value at 10%, Profitability Index, Payback Period and Internal Rate of Return for the two projects @ 15%.

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

P.T.O.

Q2) Existing Capital Structure of HPS Co. Ltd. is as follows : [15]

Equity Share Capital (2,00,000 shares)	Rs.	20,00,000
5% Preference Shares	Rs.	5,00,000
6% Debentures	Rs.	15,00,000

The market price of the company's equity shares 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 Rs. 10,00,000 debt by issuing 8% debentures. But this would result in increasing the expected dividend to Rs. 4 and growth rate will remain the same and market price of the equity share will fall to Rs. 15 per share.

Compute Weighted Average Cost of Capital (WACC) Also calculate WACC after addition of Rs. 10,00,000 debt by issue of 8% debentures.

Q3) Manufacturing Company wants to apply for working capital finance to the bank. As a Finance Manager of the company, you have to give information about the Net Working Capital Requirement of your company from the information available as follows : [15]

Raw Material	Rs. 35
Direct Labour	Rs. 25
Overhead (Excluding Depreciation)	Rs. 20
Selling Price	Rs. 100

Following additional information is available :

Production	52,000 Units Per Annum
Raw Material in Stock	Average 4 weeks
Work - in - Progress and Finished Goods	Average 2 Weeks
(Assume 50% Completion Stage with full material consumption)	
Credit allowed by Suppliers	Average 3 Weeks
Credit allowed by Debtors	Average 4 weeks

Cash balance expected to be Rs. 50,000. Assume production carried out evenly during the year and 52 weeks in the year. Calculate Net Working Capital requirement, assuming 10% margin.

Q4) Following is the Capital Structure of Vanila :

[15]

- a) Equity share capital Rs. 16,00,000 (1,60,000 Equity Shares of Rs. 10 each)
- b) Retained Earnings Rs. 5,00,000
- c) 8% Debentures Rs. 7,00,000

Additional Information :

- i) Equity shares are currently getting dividend Rs. 2 and market price quoted is Rs. 17 per share. Expected growth rate is 6%
- ii) Debentures are issued at par and tax rate for the company is 60%.
- iii) Company would like to go for further expansion of the project. Additional funds required for the same is estimated to Rs. 5,00,000. Management decided to take Long Term Loan from the Bankers @ 15% per annum. Calculate Weighted Average Cost of Capital under Existing Capital Structure and also under Revised Capital Structure.

