Total No. of Questions : 4]

SEAT No. :

PC-1150

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[6316]-411
T.Y. B.B.A.
B606: Cases in Finance + Project
(2019 Pattern) (Semester - VI) (CBCS)

Time : 2½ Hours] ***[Max. Marks : 50***

Instructions to the candidates:

1) *Q.1 is compulsory.*
2) *Answer any TWO questions form the remaining.*
3) *Use of calculator is allowed.*

Q1) Anita Co. is considering a new project to increase its production capacity of machine. Two alternative projects have been suggested each costing Rs. 3,50,000. Earnings after tax are expected to be as follows: **[20]**

Year	**Project 1**	**Project 2**
1	40,000	1,20,000
2	1,20,000	1,60,000
3	1,60,000	2,00,000
4	2,40,000	1,20,000
5	1,60,000	80,000

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

Due in 1st Year	Due in 2nd Year	Due in 3rd Year	Due in 4th Year	Due in 5th Year
0.91	0.83	0.75	0.68	0.62

Calculate

a) Pay Back Period,

b) Discounted Pay Back Period,

c) Net Present Value and

d) Profitability Index

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

P.T.O.

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Q2) Chaya Ltd., has its books on the following amounts and specific costs of each type of capital: **[15]**

Type of Capital	Book Value Rs.	Market Value Rs.	Specific Cost %
Equity	3,00,000	4,50,000	15
Preference	5,00,000	5,50,000	8
Debt	2,00,000	2,50,000	5
Retained Earning	1,00,000	1,50,000	13
Total	11,00,000	14,00,000	

Determine the WACC using:

a) Book Value Weights

b) Market Value Weights

Q3) From the following data prepare a statement showing working capital requirement of S.K. ltd.: **[15]**

a) Estimated output for the year, 65,000 units (52 weeks).

b) Stock of Raw Materials 2 weeks and material in progress for 2 weeks.

c) Finished goods remain in storage for 2 weeks.

d) Creditors 2 weeks and Debtors 4 weeks.

e) Outstanding wages and overheads 2 weeks each.

f) Selling price per unit Rs. 15.

Analysis of Cost per unit is as follows:

Element of Cost	**Per Unt (Rs.)**
RAw Material	5
Labour	3
Overheads	2
Profit	5
Total	15

Assume that the operations are evenly spread throughout the year.

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Q4) Mamta Ltd. has the following capital structure : **[15]**

Capital Structure	**Rs.**
Equaity Share Capital (2,00,000 shares)	40,00,000
11.5% Preference Shares	10,00,000
10% Debentures	30,00,000

The Equity Share of the company sells for Rs. 20. It is expected that the company will pay next year a dividend of Rs. 2 per equity share, which is expected to grow at 5% p.a. forever. Assume 35% Corporate Tax Rate.

Compute Weighted Average Cost of Capital (WACC) of the company based on the existing capital structure.

Compute the new WACC, if the company raises an additional Rs. 20,00,000 debt by issuing 12% debentures. This would result in increasing the expected equity dividend to Rs. 2.40 and leave the growth rate unchanged, but the price of equity share will fall to Rs. 16 per share.

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