Paper / Subject Code: 86005 / Elective : Finance: Innovative Financial Services

Finance
Done

TIME: 2.5 Hours **MARKS: 75**

Note: 1.Q1is compulsory.
2. Q2 to Q5 are compulsory with internal choice.
3. All questions carry equal marks.

Q1. (A) Match the Following (Any8) **(8)**

A	B
1. CRISIL	A. Registered with SEBI
2. Smart Card	B. Futures and Forwards
3. Revolving Credit	C. Housing Finance, Mutual Funds, Hire Purchase
4. Party owing an asset	D. New Issues to public
5. Early-stage financing	E. Special Purpose Vehicle
6. Executing securitization deal	F. Seed capital
7. Primary Market	G. lessor
8. Fund Based Services	H. Ongoing credit
9. Derivative contract	I. Plastic card with microprocessor
10. Sub broker	J. Credit Rating Agencies in India

Q1. (B) State whether following statements are True or False (Any 7) **(7)**

1. Demand deposits cannot be accepted by NBFCs.
2. The commercial bill rate is higher than the Treasury bill rate.
3. Bill discounting is a short-term source of finance.
4. Underwriters agree to take up securities which are not fully subscribed.
5. A certificate of registration should be obtained from SEBI to act as a clearing member.
6. Smart card technology is easy to duplicate or forge.
7. AAA rating given by CRISIL for debentures is considered to have high risk.
8. Early-stage Financing include Development capital.
9. Merchant bankers require compulsory registration with IRDA to carry out their activities.
10. Non fund-based services are also known as asset based services.

Q2. **(A)** Describe objectives of financial services **(7)**
(B) Distinguish between Factoring and Bill Discounting. **(8)**

OR

Q2. **(P)** Explain the advantages of Factoring. **(7)**
(Q) what are the problems in financial services sector? **(8)**

Q3. **(A)** What are the services provided by Merchant Banker? **(7)**
(B) Explain the steps in stock trading. **(8)**

OR

Q3. **(P)** Define Securitization.Explain its features. **(7)**
(Q) Explain the Participants in Derivative markets. **(8)**

Q4. On 1st April, 2020 Moon ltd purchased machinery from Sun Ltd on hire purchase basis. The cash price of the machinery was rs.9,00, 000.Down payment of rs.3,00,000 was made on the date of purchase. The balance was paid in three annual instalments of rs.2,00,000 plus interest at 15% p.a payable on 31st march each year. The first instalment being payable on 31st March, 2020.Prepare Machinery A/c and Sun Ltd A/c in the books of Moon Ltd, assuming that the accounts are closed on 31st March every year and depreciation at 10%p. a is charged on the original cost. **(15)**

OR

Q4. **(P)** Explain types of Venture Capital Financing stages. **(7)**
(Q). Explain the role of National Housing Bank. **(8)**

Q5. **(A)** Define credit rating. Explain its features. **(7)**
(B) Explain various types of plastic cards. **(8)**

OR

Q5. Write a short notes on: (any 3) **(15)**

1. Banking and non-banking companies.
2. Sub Stock brokers.
3. Types of Lease
4. Sources of Consumer Finance
5. Derivating Trading

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Time:- 2 ½ Hours **Marks : 75**

N.B. 1) All questions are compulsory.

3) Figures to the right indicate full marks.

4) Working note is the part of your answer.

5) Use of simple calculator is allowed.

Q1 <u>Objectives Questions</u>

A. Match the Following (any 8) **(8)**

A	B
1. Crash Project	A. Vilfredo Pareto
2. National Project	B. Form of instalment credit
3. Informal Organisational structure	C. Product assortment
4. Network structure	D. Technology
5. Profitability Index	E. Leader of Project Team
6. Project Manager	F. Benefit cost ratio
7. Technical Feasibility	G. Virtual organisation
8. Product mix	H. Formed by the employees to get psychological satisfaction
9. Hire Purchase	I. Set up within the national boundaries of a country
10. Pareto Analysis	J. Complete project within stipulated time

B. State whether the following statement are True or False (any 7) **(7)**

1. Project selection is a process to assess each project idea and select the project with highest returns.
2. ARR does not consider the time value of money.
3. Project Management should maintain high professional standards.
4. Depreciation is a non-cost item
5. A feasibility study is used to determine the viability of an idea.
6. In a matrix organisation structure employees may report to only one manager.

7. Equity capital being the risk capital carries fixed rate of dividend.
8. The project life cycle consists of 10 phases.
9. Project Management Maturity Model has 8 levels.
10. Profit maximization is the prime objectives of public sector project.

Q2 A company can make either of two investments. Required rate of return is 10%. Calculate Net Present Value and Profitability Index for each project from the following details. **(15)**

Particular	Project A	Project B
Cost of Investment (Rs.)	2,00,000	2,00,000
Expected Life (no salvage)	5 years	5 years
Cash Inflow: Year 1	60,000	90,000
2	30,000	50,000
3	80,000	30,000
4	30,000	20,000
5	80,000	90,000

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

OR

Q2

A. Explain the Needs of Project Management. **(08)**

B. Explain Strategic Business Unit (SBU) in project management. **(07)**

Q3 Calculate the degree of Operating Leverage, Financial Leverage and Combined Leverage from the given data. **(15)**

Particular	ABC Ltd	XYZ Ltd
Output (units)	50,000	20,000
Selling price per unit (Rs.)	5	4
Variable cost per unit (Rs.)	2	2.50
Fixed cost (Rs.)	16,000	10,000
Interest (Rs.)	5,000	10,000

OR

Q3

A. Explain different types of Project Feasibility Study. **(08)**

B. Explain Customer Requirement Analysis. **(07)**

Q4 Following is the Balance Sheet of ABC Ltd as on 31st March,2024. **(15)**

Liabilities	Amount	Assets	Amount
50,000 equity share of rs.10 each	5,00,000	Goodwill	50,000
General Reserve	1,00,000	Building	4,00,000
!0% Debenture	4,00,000	Plant and Machinery	2,50,000
Profit and Loss a/c	25,000	Investment	1,00,000
Bill Payable	25,000	Debtors	90,000
Creditors	50,000	Bank	60,000
		Stock	1,50,000
	11,00,000		**11,00,000**

For the last five year ended 31st March, the company's profits after tax were as follows:

2020	2021	2022	2023	2024
Rs.85,000	Rs.90,000	Rs.96,000	Rs.1,10,000	Rs.1,39,000

The company set aside 10% of profit for general reserve. The fair rate of return in the industry may be taken at 10%. Find out value per share on the basis of yield method.

OR

Q4

A. Explain types of risk in projects. **(08)**

B. Explain the term Planning-Monitoring-Controlling Cycle. **(07)**

Q5 Sun ltd intends to invest in a project where in the capital investment would be to the extend of rs.5,000 lakhs depreciable equally over five years. The tax rate applicable to the company is 30%.it is considering availing a five-year term loan from ABC bank to the extent of 70% of the project cost. The principal amount of this loan would be repayable equally along with interest payable on reducing balance. The interest rate would be 9% per annum. The projected earnings before interested and tax for the next five years are: **(15)**

Year	1	2	3	4	5
Rs. (lakhs)	1,120	1,260	1,400	1,470	1,610

You are Required to prepare:

1. Income statement for the 5 years
2. Amortisation Schedule for loan.
3. Calculate the Debt Service Coverage and Interest Coverage ratio for the above five years.

OR

Q5 <u>Write a short note :(any three)</u> **(15)**

1. Characteristics of Project Management.
2. Environment Impact Assessment.
3. Sources of Finance.
4. Project Management Information System.
5. Reasons of Termination of Projects.

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Paper / Subject Code: 86011 / Finance: Strategic Financial Management

[Time: 2 ½ Hours] [Marks: 75]

N.B. 1) Q. 1 is compulsory.
2) Q.2 to Q.5 are compulsory with internal choice.
3) Figures to the right indicate full marks.
4) Workings should form part of your answer.
5) Use of simple calculator is allowed.

Q.1 (A) Match the columns: (Any 8) (08)

Column A	Column B
1. Interest of Stakeholders	a) Form of Demerger
2. Separation of ownership from management	b) Reason for Merger
3. Compliance Certificate	c) Dispersion of Cash Flow is ascertained
4. Irrelevance Approach	d) Released on 31st July, 2000
5. Relevance Approach	e) Board of Directors
6. Recommendation of Dividend	f) Shareholders
7. First Taxonomy of XBRL	g) Modigliani & Miler
8. Standard Deviation	h) Walter & Gordon
9. Going Private	i) Mandatory requirement
10. Economies of Scale	j) Agency Theory
	k) Principle of Corporate governance

Q-1 (B) State whether the following statements are True or False:(Any 7) (07)

1. Corporate Restructuring decreases EPS.
2. Corporate Restructuring increases return.
3. Preference Dividend is deducted from NPAT for calculation of EPS.
4. Trade Creditors is spontaneous source of finance.
5. Retained profit is an internal source of finance.

6. CRISIL awards A1 plus.

7. Term loan is an advance given by a bank to customers.

8. Rebate on Bills discounted is unearned discount.

9. Premises carry 100% risk.

10. MVA is external measure of performance.

Q.2 A. The following information of a company is available: **(15)**
K_e = 15%, E= Rs. 30, (i) r= 14%, or (ii) r= 15%, or (iii) r= 16%.
You are required to calculate the market price of a share of the Company as per Gordon Model if: i) b=40%, (ii) b= 60% and (iii) b= 80%.

OR

Q.2 B. M ltd belongs to a risk class for which the capitalisation rate is 10%. It has 25,000 outstanding shares and the current market price is Rs. 100. It expects a net profit of Rs. 2,50,000 for the year and the Board is considering dividend of Rs. 5 per share. M Ltd. Requires to raise Rs. 5,00,000 for an approved investment expenditure. Show, how does the MM approach affect the value of M Ltd, if dividends are paid or not paid.

(15)

Q.3A KPR is evaluating six capital investment projects. The company has allocated Rs. 20,00,000 for capital budgeting purposes. The relevant particulars of the projects, which are independent of one another, are as follows: **(15)**

Project	Investment needed (Rs.)	Profitability Index
P1	10,00,000	1.21
P2	3,00,000	0.94
P3	7,00,000	1.20
P4	9,00,000	1.18
P5	4,00,000	1.20
P6	8,00,000	1.05

If there is strict capital rationing, which of the projects should be undertaken?

OR

Q.3B. A company is considering two mutually exclusive Projects X and Y. Project X cost Rs.30,000 and Project Y Rs. 36,000. You are given below the Net Present Value and Probability. **(15)**

Project X		Project Y	
NPV Estimate	Probability	NPV Estimate	Probability
3,000	0.1	3,000	0.2
6,000	0.4	6,000	0.3
12,000	0.4	12,000	0.3
15,000	0.1	15,000	0.2

i) Compute the expected net present value of projects X and Y.
ii) Compute the risk attached to each project, i.e. standard deviation of each probability distribution.
iii) Which project do you consider more risky and why?
iv) Compute the profitability index of each project.

Q. 4 (A) MANAN Industries Ltd is engaged in textile business. Its income statement and balance sheet are given below: **(15)**

I. Income Statement for the year ended 31-3-2024

Particulars	(Rs. In lacs)
Sales Revenue	12,000
Less: Cost of Production	(9,000)
PBIT	3,000
Less: Interest on loan	(20)
PBT	2,980
Less: Tax @ 30%	(894)
Earnings After Tax	2,086

II. Balance Sheet as on 31-3-2024

Liabilities	Rs. In lacs	Assets	Rs. In lacs
Equity Share Capital (Rs. 10 each)	400	Land & Building	200
Reserves & Surplus	300	Plant and Machinery	400
10% Bank Loan	200	Debtors	200
Creditors	100	Stock	150
		Cash and Bank	50
	1,000		1,000

III. The Company's weighted average cost of capital is 15%.
IV. The Company is listed on BSE and has a P/E Ratio of 6 times.
You are required to calculate (a) value of the firm (b) EVA and (c) MVA.

OR

Q.4 (B) You are supplied with the following information in respect of Pramod Ltd for the year 2024. **(15)**

Production for the year: 72,000 units
Finished goods in stores : 3 months
Raw Material in stores : 2 months consumption
Production Process : 1 month
Credit allowed by suppliers : 2 months
Credit given to Debtors: 3 months
Selling Price per unit : Rs. 40
Raw Material Cost: 50% of selling price
Direct Wages : 20% of selling price
Overheads : 10% of Selling price
There is a regular production and sales cycle and wages and overheads accrue evenly. Wages

are paid in the next month of accrual and overhead are paid in the same month. Materials are introduced in the beginning of production cycle. Debtors should be computed at sales value. You are required to find out:

a) Working Capital Requirements of Pramod Ltd.

b) Permissible Bank Borrowings as per first and second method of lending.

Q.5 (A) Explain the flow chart that outlines steps for implementation of XBRL? **(7)**

(B) What are the merits and demerits of Retained Earnings? **(8)**

OR

Q.5 C) Write Short Notes on: (Any three) **(15)**

a. Short-term sources of working capital finance
b. Limitations of Mergers
c. Commercial Paper
d. Principles of Good Corporate Governance
e. Non Performing Assets
