CA INTER
Test Code – JK-FME-11
(Date: 13-09-2020)

(Marks - 100)

Answers to questions are to be given only in English
Question No. 1 is compulsory
Working notes should form part of the answer.

SECTION A - FINANCIAL MANAGEMENT

Q.1 (a) The following is the Capital Structure of Gabbar Ltd.

Source	**Amount**
12% Preference Capital	5,00,000
Equity Share Capital	?
16% Debt	?
Total =	**20,00,000**

- Tax rate applicable 30%.
- Debt is 2/3 of Equity Share Capital.
- Cost of Equity Share Capital is 20%.

Compute Weighted Average Cost of Capital.

(5 Marks)

(b) Complete the Balance Sheet using the Ratios.

Liabilities	**Amount**	**Assets**	**Amount**
Share Capital	-	Fixed Asset	-
Reserves and Surplus	-	**Current Asset**	
Long Term Loan	3,00,000	Inventory	-
Creditors	2,00,000	Debtors	-
		Cash & Bank	-

- Inventory Turnover Ratio 10 times.
- Asset Turnover Ratio 2 times.
- Acid Test Ratio 1:1.
- Credit Sales Cash Sales 1:1.
- Gross Profit 10% on cost of Goods sold.
- Ratio of Long Term, Loan to Net Worth : 1:2.
- Share Capital to Reserves is 2:1.
- Average Collection Period 36 days.
- 1 year = 360 days. **(5 Marks)**

(c) Don Ltd. gives you following information

Book Value Per Share	=	₹200
Return on Equity	=	12%
Retention Ratio	=	75%
Cost of Capital	=	15%

Compute price of its share as per Gordon's approach.

(5 Marks)

(d) Zalim Ltd. is planning to raise ₹4,00,000 for expansion. Two proposals are under consideration.

Proposal-1: Raising entire requirement by issue of shares at premium of ₹90. (Face Value: ₹10)

Proposal-2: 50% of Requirement by 15% loan and remaining by issue of shares at issue price ₹100 (Face Value : ₹10)

Tax Rate = 50%.

Expected EBIT = ₹80,000.

Advice the company

(5 Marks)

Q.2 The following information relates to Shakaal Ltd.

Variable Cost	= ₹10 lakh
Profit Volume Ratio	= 80%
Fixed Cost (including interest)	= ₹25 lakh
Tax Rate	= 40%
10% Preference Share Capital	= ₹10 lakh
Equity Share Capital (Face Value: ₹10)	= ₹40 lakh
20% Debentures	= ₹25 lakh

Compute:

(1) EPS
(2) Degree of Operating Leverage
(3) Degree of Financial Leverage
(4) Degree of Combined Leverage
(5) Financial Break Even Point.

(10 Marks)

Q.3 Gogo Ltd. plans to sell 10,000 units per month. Following information is available.

1.

Particulars	₹ (Per Unit)
Direct Material	40
Direct Wages	20
Overheads (including Depreciation ₹5 per unit)	35
Selling price	120

2. Duration of Operating Cycle

Raw Material	1½ months
Finished goods	1 month
Work in Progress	1 month
Debtors	2 months
Creditors	3 months

3. Cash Balance will be 20% of Current Liability.

Compute amount of Working Capital requirement.

(10 Marks)

Q.4 The following information is available in respect of Darinda Ltd.

(1)

Months	Material Purchased	Sales	Wages & Other Exps.
January	20,000	30,000	9,000
February	22,000	33,000	10,000
March	24,000	36,000	10,500
April	26,000	39,000	11,000
May	28,000	42,000	11,500
June	30,000	45,000	12,000
July	32,000	48,000	12,500
August	34,000	51,000	13,000

(2) Credit allowed to customers is 3 months and credit received from suppliers is 2 months.

(3) Wages and other expenses are paid on accrual.

(4) Material purchased in specific month will be opening stock of next month.

(5) Cash Balance in beginning of April is ₹10,000.

Prepare:

(1) Cash Budget for period April to July.

(2) Profit and loss forecast for April to July.

(10 Marks)

Q.5 Khalnayak Ltd. is considering following 6 proposals.

Project	Cost	PVCI	NPV
1	2,000	2,420	-
2	-	15,120	3,120
3	10,000	11,700	-
4	4,000	-	520
5	5,000	6,000	-
6	-	1,190	190

Which projects would you advice if the total funds available are ₹16,000?

(10 Marks)

Q.6 (a) Explain briefly the features of External Commercial Borrowings

(4 Marks)

OR

Write a Note on Venture Capital financing

(4 Marks)

(b) Difference between Profit Maximization and Wealth Maximization

(3 Marks)

(c) Write a Note on Factoring

(3 Marks)

SECTION B - ECONOMICS FOR FINANCE

Q.1 **(a)** Explain Voluntary Export restraint **(2 Marks)**

(b) Explain Limitations in Calculating National Income **(3 Marks)**

(c) Explain Allocation Function & Redistribution Function. **(3 Marks)**

(d) Short Note on Crowding out **(2 Marks)**

Q.2 **(a)** (i) What is tragedy of Commons? **(3 Marks)**

(i) Explain Marginal Standing facility **(2 Marks)**

(b) Estimation of National Income by Value Addition Suppose only the following transactions take place in an economy:

- Industry A imports goods worth ₹ 100. It sells goods worth ₹ 400 to Industry B, goods worth ₹ 200 to Industry C, and goods worth ₹ 1,000 for Private Consumption.
- Industry B sells goods worth ₹ 500 to Industry C and goods worth ₹ 800 for Private Consumption.
- Industry C sell goods worth ₹ 600 to Private Consumption and Export goods valued at ₹ 500.
- Depreciation Coast during the year is ₹ 100,
- Government realizes Indirect taxes of the valued of ₹ 100. Subsidies paid by Government is ₹ 50.

Calculate the following with the help of Net Value Added Method:
(a) GNP (MP) (b) GNP (FC) (c) NNP (MP) and (d) NNP (FC) **(5 Marks)**

Q.3 **(a)** **(i)** Explain merits and demerits of international trade. **(3 Marks)**

(ii) Suppose initial deposit: Rs 5200.
(a) Calculate Credit Multiplier if RRR= 0.015
(b) Calculate Credit creation if RRR = 0.06 **(2 Marks)**

(b) **(i)** Explain Quasi Public goods **(3 Marks)**

(ii) Explain liquidity Adjustment facility. **(2 Marks)**

Q.4 (a) (i) Limitations of Fiscal policy **(3 Marks)**

(ii) Explain Pump priming **(2 Marks)**

(b) (i) State the Objectives of Monetary Policy **(3 Marks)**

(ii) Explain Personal income. **(2 Marks)**

Q.5 (a) (i) Explain Milton Friedman theory of Money demand **(3 Marks)**

(ii) Define Ad Valorem tariff **(2 Marks)**

(b) (i) Explain impact of currency depreciation on domestic economy. **(3 Marks)**

(ii) Explain features of Private goods **(2 Marks)**

OR

(i) Explain Foreign portfolio investment **(2 Marks)**