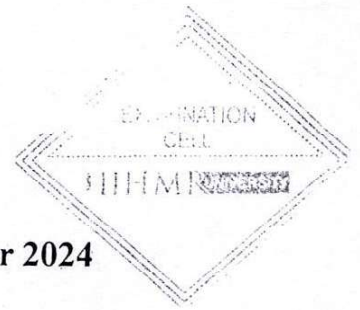


**Time - 3 Hour****Maximum Marks: 50 (Minimum Marks: 20)****Instructions to students:**

- This question paper contains 2 printed pages.
- Don't write anything on the Question Paper except your Enrolment No.

Part A**(Maximum Marks: 5)****Q1. Choose the correct option/fill in the blanks, as applicable for the following (1 mark each):**

- (a). If an investment of ₹5000 has been sold at ₹5250 at the end of the year, how much return this investment has offered?
- (i) 5%
 - (ii) 7%
 - (iii) 9%
 - (iv) 10%
- (b). Firm-specific risk relevant for a particular firm can be diversified away is called _____ risk.
- (i) Systematic
 - (ii) Market
 - (iii) Unsystematic
 - (iv) Interest rate
- (c). A series of equally spaced cash flows extending over a finite number of periods, occur at the end of the period is called.
- (i) Annuity due
 - (ii) Annuity
 - (iii) Perpetuity
 - (iv) Perpetuity due
- (d). For calculating weighted average cost of capital, we use _____ values of debt, equity and preference shares.
- (e). To calculate present value from the future value, _____ is used.

Part B

(Maximum Marks: 15)

Answer the following (5 mark each).

- Q2. A contract will pay \$2,000 at the end of each year for three years and the appropriate discount rate is 7%. What is a fair price for the contract?
- Q3. A business has sales of ₹1000000, variable cost 50% of the sales and fixed cost ₹300000. Calculate operating leverage and comment, what will be the impact on profit if sales amount increases by 20%?
- Q4. What is bonus dividend, discuss advantages of issuing bonus shares as dividend.

Part C

(Maximum Marks: 30)

Answer the following questions in detail (10 marks each).

- Q5. Wealth maximization is a superior objective compared to profit maximization, discuss?
- Q6. You wish to invest in a business proposal, which will require ₹ 6000000 for office and equipments. Your financial plan comprises of ₹ 3600000 loan at rate 6.5% interest per annum, ₹ 1800000 of a bank loan at 7% interest per annum and ₹ 600000 of your own money. You could earn 12% per annum by investing your own money in the capital market. If the applicable tax rate is 30 %, what is the weighted average cost of capital?
- Q7. A business proposal needs an initial investment of ₹ 200000. It will provide cash flows for the next five years ₹ 60000, ₹ 48000, ₹ 60000, ₹ 56000 and ₹ 72000, respectively. If the rate of discount is 10%, calculate NPV of the proposal and comment why will you accept or reject the proposal?

