PART C — (1 x 20 = 20 marks)

(Compulsory)

17. An investment of Rs. 10,000 (having scrap value of Rs. 500) yields the following returns:

<table>
<thead>
<tr>
<th>Year</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>CFAT (in Rs.)</td>
<td>4,000</td>
<td>4,000</td>
<td>3,000</td>
<td>3,000</td>
<td>2,500</td>
</tr>
</tbody>
</table>

The cost of capital is 10%. Is the investment desirable?

Discuss it according to Net Present Value (NPV) Method assuming the PV factors for 1st, 2nd, 3rd, 4th and 5th year – 0.909, 0.826, 0.751, 0.683 and 0.620 respectively.
6. What are the different forms of dividends?

7. Compute payback period for the project from the following: A project has an initial investment of Rs. 2,00,000. It will produce cash flows after tax of Rs. 50,000 per annum for six years.

8. Estimate working capital requirements of M/s. Rose Ltd. from the following particulars:
   - Projected annual sales Rs. 9,00,000
   - Percentage of net profit to cost of sales is 20%
   - Average credit allowed to debtors - 1 month
   - Average credit allowed by creditors - 2 months
   - Average stock carrying (in terms of sales requirements) - 2 1/2 months

   Add 10% to allow for contingencies.

   PART B — (5 x 10 = 50 marks)

   Answer any FIVE questions.

9. Explain the functions of financial management.

10. Discuss the various sources of working capital.

11. Describe the factors determining capital structure.

12. Explain the assumptions and criticisms of Walter's model of dividend policy.

13. Explain any two important theories of capital structure.

14. Compute ARR from the following data:
   - Cost of asset Rs. 4,00,000, Useful life: 5 years and Cash flow after tax Rs. 1,72,000 per annum.

15. M/S. Deva Ltd. has an EBIT of Rs. 4,50,000. The cost of debt is 10% and the outstanding debt is Rs. 12,00,000. The overall capitalisation rate (ko) is 15%. Calculate the total value of the firm and equity capitalisation rate under Net Operating Income (NOI) approach.

16. From the following estimates, calculate the average amount of working capital required:
   a) Average amount locked up in stocks:
      - Stock of finished goods - Rs. 10,000
      - Stock of stores and materials - Rs. 8,000
   b) Average credit given:
      - Local sales - 2 weeks credit - Rs. 1,04,000
      - Export sales - 6 weeks credit - Rs. 3,12,000
   c) Time available for payment:
      - For purchases - 4 weeks - Rs. 78,000
      - For wages - 2 weeks - Rs. 2,60,000

   Add 10% to allow contingencies.