P09/FM2101/EE/20110515

Time : Three Hours **Marks : 100**

Instructions to Candidates :

1) There are **two** sections.
2) Section I carries **60** marks and Section II carries **40** marks.
3) There are 6 questions in Section I out of which **any four** are to be attempted.
4) The case study question in Section II is **compulsory**.
5) Figures to the right indicate full marks.
6) Answers to the two sections should be written in **one** and the **same** answer book.

SECTION I

1. Define the terms, business finance and financial management. Explain the scope of financial management. **15**

2. Explain the two approaches which are adopted for the valuation of equity shares with suitable examples. **15**

3. State and explain the importance of capital budgeting decisions. What are the cases of capital budgeting decisions? **15**

4. What do you mean by optimum capital structure? Make a list of factors determining the optimum capital structure. **15**

5. Calculate the degree of operating leverage, degree of financial leverage and the combined leverage for the following firms and interpret the results. **15**

Particulars	Firms		
	A	*B*	*C*
Output (units)	60,000	15,000	1,00,000
Fixed cost (Rs.)	7,200	14,000	1,500
Variable cost per unit (Rs.)	0.20	1.50	0.02
Interest on borrowed capital (Rs.)	4,000	8,000	Nil
Selling price (per unit)	0.60	5.00	0.10

6. From the balance sheet of a company given below, compute : **15**

a) Working capital

b) Net capital employed

c) Current Ratio

d) Acid Test Ratio

e) Debit Equity Ratio

Balance Sheet as on 31.12.2010

Liabilities	Rs.	Assets	Rs.
Equity share capital	25,000	Fixed assets	30,000
Preference share capital	5,000	Stores	2,000
Reserve and surplus	4,000	Stock in trade	4,000
Debentures	8,000	Sundry debtors	1,000
Bank loans	4,000	Cash in hand	500
Sundry creditors	1,000	Balance with bank	2,500
Proposed dividend	1,000	Preliminary exp.	10,000
Provision for taxation	2,000		
	50,000		50,000

SECTION II

7. Read the following case and answer the questions that follow : **20**

Profile :

Zaheer Khan Limited have located a factory of about 35,000 sq. ft. in their two acre plot at Chakan. They manufacture PVC leather cloth, PU leather cloth, laminated and coated fabrics and auto upholstery products. The Unit has been certified under ISO 9001 : 2000. The company embarked on a Backward Integration Project in the year 2000-01 and is now able to manufacture their own rexine cloth, which they used to purchase from the open market.

Financial Indicators (In Rs. Lakhs)

Parameters	2002 (Actual)	2003 (Estimates)
Paid up capital	164	195
Net worth	282.25	363.85
Long term unsecured loans	28.55	67.05
Gross sales	1295.64	2472
Net sales	1116.93	2200
Exports	–	500
Net profit	33.77	50.60
Retained profit (%)	100%	100%
Gross block	393.01	393.01
Cash accruals	96.22	96.40
Net working capital	99.82	229.82
Current ratio	1.19	1.29
Debt equity Ratio	2.32	2.54
DSCR	1.86	–

Loan facility requested :

Cash Credit : Rs. 320 Lakhs

Packing Credit : Rs. 140 Lakhs

Current Assets :

Current Asset	31.3.2002 (Actuals) Rs. Lakhs	31.3.2002 (Actuals) Days	31.03.2003 (Estimates) Rs. Lakhs	31.03.2003 (Estimates) Days
Raw material				
– Indigenous	180.30	64.85	252.53	45.66
– Imported			111.83	20.22
Work In Progress	40.25	14.48	80.00	14.46
Finished goods	31.24	10.07	62.56	10.24
Consumables	–	–	–	–
Trade receivables (Domestic)	356.24	114.91	427.27	69.93
Other current assets	11.19	3.60	12.21	2.00
Total	619.22		946.40	

Additional Information :

a) The directors are first generation businessmen and have a proven track record.

b) The company's CEO has a wide experience in rexine cloth manufacturing and its allied products.

c) The company is managed by experts. It has been following all accounting policies and principles.

d) The stock audit of the company has been conducted and the findings are satisfactory.

e) The company is suffering from paucity of working capital.

g) It has a statutory liability to the extent of Rs. 23.97 lakhs.

h) The directors are willing to assign LIC policies involving sum assured of Rs. 165 lakhs.

Questions :

a) Analyze the case. **20**

b) Give your recommendations to the zonal office for acceptance or non-acceptance regarding the proposal with suitable reasons. **20**

P09/FM2102/EE/20110516

Time : Three Hours **Marks : 100**

Instructions to Candidates :

1) There are **two** sections.
2) Section I carries **60** marks and Section II carries **40** marks.
3) There are 6 questions in Section I out of which **any four** are to be attempted.
4) The case study question in Section II is **compulsory.**
5) Figures to the right indicate full marks.
6) Answers to the two sections should be written in **one** and the **same** answer book.
7) Use of a nonscientific calculator is allowed.

SECTION I

1. Explain the guiding principles of tax policy. **15**

2. Explain the items of income chargeable under the head, profits and gains from business or profession. **15**

3. State and explain the types of custom duties. What are the bases of custom duty? **15**

4. What are the sources of central excise laws? State and explain the types of excise duties. **15**

5. Write a detailed note on perquisites and their valuation under the head, income from salaries. **15**

6. Write notes on : **15**

   a) Deductions on income from house property

   b) Types of income tax returns

   c) Liability for central excise

SECTION II

7. Read the following case and answer the questions that follow :

Mr. Akshay is a general manager of a textile company at Delhi. He has submitted the following particulars of his income for the financial year 2010-2011.

a) Annual basic salary was Rs. 1,10,000.

b) Dearness allowance was Rs. 2,000 p.m. (Rs. 500 enters into retirement benefits).

c) Education allowance for two children at Rs. 130 p.m. per child and hostel expenditure allowance for elder son @ Rs. 450 p.m.

d) Commission on sales was Rs. 20,000.

e) Entertainment allowance was Rs. 800 p.m.

f) Travelling allowance for his official tours was Rs. 40,000 (Actual expenditure on tours amounted to Rs. 27,000).

g) He was given cloth worth Rs. 2,000 by his employer free of cost.

h) He resides in the bungalow of the company. Its fair rent is Rs. 2,000 p.m. He pays Rs. 11,000 p.a. as rent for the house. A watchman and a cook have been provided by the company, who were paid Rs. 400 p.m. each.

i) He has been provided with a motor car of 1.8 litre engine capacity (1800 cc) power with a driver for his official as well as personal use. Running and maintenance expenses are borne by the company.

j) The company has contributed 10% of salary to notified pension scheme and Rs. 15,000 to the Recognised Provident Fund.

k) Interest credited to the Recognised Provident Fund was @ 13% p.a. amounting to Rs. 16,250.

l) Professional tax paid was Rs. 2,500/-.

Questions :

a) Compute the taxable income from the salary of Mr. Akshay for the assessment year 2011-2012. **25**

b) Show the detailed working of valuation of perquisites, contribution to recognised provident fund and motor car as per the rules. **15**

P09/FM2103/EE/20110518

Time : Three Hours **Marks : 100**

Instructions to Candidates :

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2) Section I carries **60** marks and Section II carries **40** marks.
3) There are 6 questions in Section I out of which **any four** are to be attempted.
4) The case study questions in Section II are **compulsory.**
5) Figures to the right indicate full marks.
6) Answers to the two sections should be written in **one** and the **same** answer book.

SECTION I

1. Define a company. Write the essential characteristics of a company. **15**

2. Define a company's prospectus. What are the requirements of a valid prospectus? **15**

3. Discuss the disqualification of directors and the removal of directors. **15**

4. "It is the cardinal principle of company law that no dividend must be paid otherwise than out of divisible profits." Explain the rules regarding the payment of dividends. **15**

5. Briefly discuss the provisions under FEMA for the regulation and management of foreign exchange transactions. **15**

6. Discuss the objectives of SEBI. Also write about the powers and functions of SEBI along with the people constituting its management. **15**

SECTION II

7. The promoters of a company incorporated on July 1st, 1998 had entered into a contract with *X* on April 1st, 1998 for the supply of goods when the company came into existence. The company however, does not want to proceed with the contract.

   a) Discuss the correctness of the company. **5**

   b) Are the pre-incorporation contracts binding on the company? **5**

   c) Discuss the role of private and public companies with respect to the commencement of business. **10**

8. Can the following persons be appointed as directors of a public company? **20**

   a) a minor

   b) a bank

   c) a partnership firm

   d) a trust

   Give reasons for supporting your answer.

P09/FM2104/EE/20110519

Time : Three Hours **Marks : 100**

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3) There are 6 questions in Section I out of which **any four** are to be attempted.
4) Section II has 2 questions and **both** are **compulsory.**
5) Figures to the right indicate full marks.
6) Answers to the two sections should be written in **one** and the **same** answer book.
7) Use of a nonscientific calculator is allowed.

SECTION I

1. What do you understand by liberalization? Discuss its various aspects. **15**

2. Explain the ALM strategy. State the RBI guidelines issued for risk management. **15**

3. Evalute the role and operation of NABARD. **15**

4. Define the term, DSCR. List the requirement to be met after the sanction of a term loan. **15**

5. What is a stock enchange? Explain the function of the stock exchange. **15**

6. Define a debenture. State and describe any five kinds of debentures. **15**

SECTION II

7. Case study :

The performance of three mutual funds *A, B* and *C* and the market was as below.

	Mean Return %	Standard Deviation %	Beta
A	12	18	1.1
B	10	15	0.9
C	13	20	1.2
Market Index	11	17	1.00

Questions :

a) The mean risk free rate was 6%. Calculate and explain the following ratios :

i) Treynor ratio **10**

ii) Sharpe ratio **10**

iii) Jensen ratio **10**

b) Explain in brief, return per unit of risk. **10**

Time : Three Hours **Marks : 100**

Instructions to Candidates :

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7) Use of a nonscientific calculator is allowed.

SECTION I

1. Explain the types of debentures with suitable examples. **15**
2. Write a note on the various risks involved in financial services. **15**
3. What is buyback of shares? State the guidelines for the buyback of shares. **15**
4. Which parties are involved in a debt securitization deal? **15**
5. Discuss about pricing loans and their approaches. **15**
6. Explain the role of plastic cards and their types. **15**

SECTION II

7. Case Study **40**

R. S. Ltd is considering using a machine made by BC Ltd. The machine would cost Rs. 60,000 and at the end of the four year life is expected to have a resale value of Rs. 4,000, the money to be received in the 5th year. It would save Rs. 29,000 per year over the method that R. S. Ltd currently uses. R. S. Ltd. expects to earn a DCF return of 20% before tax on this type of investment.

R. S. Ltd. is currently earning good profits, but does not expect to have Rs. 60,000 available to spend on this machine over the next few years. It is subject to corporation tax at 35% and receives capital allowances of 25% on a reducing balance basis,. You are required to :

a) Recommended whether, from an economic viewpoint, R. S. Ltd. should invest in the machine from BC Ltd.

b) Calculate which of the following option R.S. Ltd would be financially better off to adopt :

Option 1 is to buy the machine and borrow Rs. 60,000 from the bank and repaying a standard annual amount at the end of each year. That would comprise of the principal and interest at 20% per annum; or option 2 is to lease the machine for 4 years at an annual lease payment equal to the annual amount it would need to pay the bank under optional above. Show your calculations.

Time : Three Hours **Marks : 100**

Instructions to Candidates :

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5) Figures to the right indicate full marks.
6) Answers to the two sections should be written in **one** and the **same** answer book.

SECTION I

1. Define securities. Give a brief account of the different types of securities. **15**

2. What is the National Securities Depository Ltd.? Explain in detail, the functioning of NSDL. **15**

3. Define risk. Explain the various types of risks. **15**

4. Explain the term, economic analysis and state the economic factors considered for this analysis. **15**

5. Define a derivative. Explain in detail, the terms, options and future. **15**

6. What is meant by a mutual fund? What are the advantages of a professionally managed portfolio? **15**

SECTION II

7. Case study : -

Mr. *X*, who is aged fifty, opted for voluntary retirement. The company is willing to give him Rs. 10 lakhs as a golden handshake. He has an ordinary life insurance policy for Rs. 50,000. The company will not pay pension to him. His childern are in the postgraduation programme and are to complete their studies for which he has to spend another Rs. 2 lakhs. After four or five years, he needs Rs. 3 lakhs for their wedding expenses. He wants to own a flat which may cost another Rs. 4 lakhs. The current market data is assumed to be as below :

Security	Yeild
Bonds	11%
Debenture	10.5%
Mutual fund	12%
BSE index	16%
Real estate	25%

The following table gives the asset description of Mr. *X*.

No. of shares	Description of shares	Price (per share)	Other Investments
200	Reliance Petro	Rs. 59	IDBI Retirement Bonds worth Rs. 50,000
200	Glaxo	Rs. 49	ICICI Regular Income Bonds worth Rs.25,000
300	HDFC	Rs. 260	Private corporate debentures worth Rs. 15,000
100	BHEL	Rs. 126	Pass book saving of Rs. 20,000 and Land worth Rs. 1,00,000

The regular income and retirement bonds are planned to yield only when he is 60 years of age i.e. 5 years from now on they can be assumed to yield roughly 9%. Mr. *X* needs at least Rs. 10,000 per month to maintain his family. His P.P.F. yield will start when he is fifty years of age and he will be receiving Rs. 4000 from it.

Questions :

1. Analyze the case. **10**
2. Identify and find out the appropriate set of investment objectives and constraints for Mr.X. **10**
3. Draft a suitable financial plan for him. **10**
4. Give reasons for your financial plan. **10**

Time : Three Hours **Marks : 100**

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5) Figures to the right indicate full marks.
6) Answers to the two sections should be written in **one** and the **same** answer book.

SECTION I

1. Explain the term, market survey. Give the steps followed by a sample survey. **15**

2. What are the different tools for identifying investment opportunities? Explain any four. **15**

3. Explain the various techniques for analyzing a market risk and a firm risk. **15**

4. Give the meaning of cost benefit analysis. How does the concern for re-distribution differ with respect to monetary and social viewpoint? **15**

5. Discuss the steps involved in developing the project evaluation and review technique. **15**

6. Describe the various administrative aspects of project management. **15**

SECTION II

7. Read the given case carefully and answer the questions that follow :

HBC Ltd. Company have located a factory of about 35,000 sq.ft. in their two acre plot at Chakan. They manufacture PVC leather cloth, PU leather cloth, laminated and coated fabrics and auto upholstery products. The unit has been certified under ISO 9001:2000. The company embarked on a backward integration project in the year 2000-01 and now is able to manufacture their own rexine cloth, which they used to purchase from the open market.

Financial statement

Particulars	2002 Actual	2003 Estimated
Paid up–capital	164.00	195
Net worth	282.25	363.85
Long–term unsecured loans	28.55	67.05
Gross sales	1295.64	2472
Net sales	1116.93	2200
Exports	—	500
Net profit	33.77	50.60
Retained profit (%)	100%	100%
Gross block	393.01	393.01
Cash accruals	96.22	96.40
Net working capital	99.82	229.82
Current ratio	1.19	1.29
Debt equity ratio	2.32	2.54
DSCR	1.86	—

Loan facility requested :

Cash credit = Rs. 320 lakhs

Packing credit = Rs. 140 lakhs.

Current Asset	31-3-2002 Actual		31-3-2003 Estimated	
	Lakhs	Day	Lakhs	Days
Raw material :				
Indigenous	180.30	64.85	252.53	45.66
Imported	-	-	111.83	20.22
Work in progress	40.25	14.48	80.00	14.46
Finished goods	31.24	10.07	62.56	10.24
Consumables	-	-	-	-
Trade receivable	356.24	114.91	427.27	69.93
Other current assets	11.19	3.60	12.21	2.00
	619.22		946.40	

Additional information :

1) The Directors are first generation businessmen and have a proven track record.
2) The Company's CEO has a wide experience in rexine cloth manufacturing and its allied products.
3) The Company is managed by experts. It has been following all accounting policies and principles.
4) The stock audit of the Company has been conducted and the findings are satisfactory.
5) The Company is suffering from paucity of working capital.
6) It has a statutory liability to the extent of Rs. 23.97 lakhs.
7) The Directors are willing to assign LIC policies involving a sum assured of Rs. 165 lakhs.

The above proposal has been forwarded to your branch. You, as a banker, are required to appraise the proposal and forward your recommendations to your zonal office for its acceptance or nonacceptance. Provide suitable reasons for your decision and recommend the change (if any) that the management should bring about so that the proposal can be considered.

Assume a 25% margin for loan disbursement.

Question

a) Analyze the case. **20**

b) Appraise the above proposal and give recommendation to the zonal office for its acceptance or nonacceptance. **20**

P09/FM2108/EE/20110521

Time : Three Hours **Marks : 100**

Instructions to Candidates :

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4) The case study questions in Section II are **compulsory.**
5) Figures to the right indicate full marks.
6) Answers to the two sections should be written in **one** and the **same** answer book.
7) Use of a nonscientific calculator is allowed.

SECTION I

1. State and explain the factors affecting currency trading. **15**

2. What are the exchange rates of India? Explain any two in brief. **15**

3. Write short notes on :- **15**

a. Dow's theory

b. Limitation of fundamental forcasting

c. Diversification

4. Explain any five types of Eurobonds issued to an organization debt internationally. **15**

5. What are the two basic ways of financing an international business? Give the advantages and disadvantages of both ways. **15**

6. Define the term, 'loan syndication'. State any three advantages and three disadvantages of the loan syndication procedure in India, **15**

SECTION II

1. Consider a company borrows 700,000 US dollars for a period from February 2nd 2000 to March 21st, 2000. The rate of interest that the company pays for this time period is seven percent.

   a) Calculate the interest paid by the company by the international practice. **10**

   b) What is the amount that the company will pay as interest if the British practice is used? **10**

2. An entrepreneur, after speculating about the depreciation in the value of the dollar, sells $ 30,000 in short position at spot rate of Rs. 45 per dollar in the spot market. To deliver the dollar within 2 business days, the entrepreneur borrows dollars from a bank at an interest rate of 6 per cent.

   a) Calculate what amount will the entrepreneur receive after delivering the dollar. **5**

   b) The money received is invested by the entrepreneur at the rate of 5%. At this time, the value of the dollar depreciates from Rs. 45 per dollar to Rs. 42 per dollar because of an increase in the supply of the dollar through a large amount of export. Calculate how much profit the entrepreneur will receive through speculation for a weak currency in the spot market. **15**

Time : Three Hours **Marks : 100**

Instructions to Candidates :

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4) The case study question in Section II is **compulsory.**
5) Figures to the right indicate full marks.
6) Answers to the two sections should be written in **one** and the **same** answer book.
7) Use of a nonscientific calculator is allowed.

SECTION I

1. What are the limitations of a financial institution? **15**

2. Discuss the contribution of technology to the banking industries. **15**

3. What are the various techniques employed in the financial disintermediation business? Explain. **15**

4. What do you mean by insurance companies? State the three types of changes in the insurance industries. **15**

5. Give the classification FI's (based upon their objectives) at the national level. **15**

6. What do you understand by EMU? Give the advantages of EMU. **15**

SECTION II

7. Read the case and answer the questions given below the case :

A company wants to install a small project. There are 3 alternatives, amongst which, one is to be selected. The necessary information about the projects is given below.

Particulars	Projects		
	A	B	C
Initial outlays in rupees	10,000	10,000	10,000
Estimated life in years	10	10	10
Salvage value in rupees	Nil	Nil	4,000
Annual cash inflow in rupees	1,750	–	1,750
First five year in Rs.	–	2000	–
Second five year Rs.	–	1,500	–

Evaluate the projects by the following methods :

a) Payback method. **5**

b) Average rate of return method. Assume straight line method of depreciation **5**

c) Net present value method. Rate of discounting is 10%. **10**
The present value factors are :

For 1 to 5 years	Rs.	3.791
6 to 10 years		2.354
1 to 10 years		6.145
For the 10^{th} year		0.386

Period and necessary P.V. factors are given below.

d) IRR method. **12**

Period	PV factor		
Year	12%	14%	16%
1to 5	3.605	3.433	3.274
1to 9	5.328	4.946	4.607
6 to 10	2.045	1.783	1.559
10^{th} year	0.322	0.270	0.227

e) Rank the project. **2**

f) What are the other factors that should be considered while selecting a project other than the financial analysis? **3**

g) Which project will you recommend? **3**

P09/FM2110/EE/20110521

Time : Three Hours **Marks : 100**

Instructions to Candidates :

1) There are **two** sections.
2) Section I carries **60** marks and Section II carries **40** marks.
3) There are 6 questions in Section I out of which **any four** are to be attempted.
4) Section II has 8 questions and **all** are **compulsory.**
5) Figures to the right indicate full marks.
6) Answers to the two sections should be written in **one** and the **same** answer book.
7) Use of a nonscientific calculator is allowed.

SECTION I

1. Explain the scope and importance of strategy and give six important steps for the formulation of strategy. **15**

2. What do you mean by the ABC concept? Discuss its advantages and disadvantages. **15**

3. Write short notes on the following : **15**

a) Target costing

b) JIT

c) Concept of breakeven analysis

4. Explain the importance and advantages of planning. **15**

5. Explain the concept of decision-making. Give the characteristics and importance of decision–making. **15**

6. Give the techniques for analyzing firm risk and explain. **15**

SECTION II

7. Read the following case and answer the questions given below :

The contractual staffing, also known as temping, has been a significently big trend in the west across sectors, be it IT, pharma, education, etc. In India, the story however is different. Indian firms are yet to accept these tools in a big way. It is only in the past few years that temping as a concept is being looked at and explored by India Inc. More so now, since firms are realizing that not only is this a cost effective tool but also a strategic technique for getting the best talent from the market and removing the underperformer from the lot.

Questions :

1. Explain the financial advantages of temp staffing in improving the overall productivity level within the organization with examples. **20**
2. Elaborate on the sectors where as a planner you could possibly increase your focus on temp staffing. **10**
3. Why don't employers want to create permanent manpower costs ? **10**