P09/FM2101/EE/20091114

Corporate Finance

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. What is financial management ? Describe the scope of financial management. **15**

2. Explain the two methods of valuation of equity shares. Give numerical examples of each. **15**

3. a) Examine the cases in which capital budgeting is required. **9**

   b) What can be the kinds of investment proposals ? **6**

4. Distinguish between : **15**

   a) Implicit cost and explicit cost

   b) Cash flow and funds flow

   c) Net Present Value (NPV) and Present Value Index

5. a) What is financial planning ? **15**

   b) Briefly explain the principles governing a financial plan.

6. What is corporate governance ? Explain its need in India in the present context. **15**

SECTION II

7. Change for Better Profitability

A company manufactures a single product in its factory, utilizing 60% of its capacity, which is equivalent to 12,000 units per year. The unit selling price and cost details per unit are given below :

Direct Materials	Rs. 8
Direct Labour	Rs. 10
Variable Overheads	Rs. 4
Selling Price	Rs. 45

Fixed factory overheads application rate has been fixed at 12.5% of direct labour cost on the basis of 70% capacity utilization. Selling, distribution and administrative overheads are taken together to Rs. 41,000 per year.

Since the existing product could not achieve budgeted level for two years in succession, the company decides to introduce a new product with a marginal investment and utilizing the existing plant and machinery. The cost estimates for the new product are as follows :

Direct Materials	Rs. 6.0 per unit
Direct Labour	Rs. 7.0 per unit
Variable Overhead	Rs. 2.50 per unit

It is expected that 5,000 units of the new product can be sold @ Rs. 25 per unit. Fixed overheads are expected to increase by 10% while selling and distribution expenses will go up by Rs. 12,000 annually. There will be an increase of working capital by Rs. 75,000. The company considers that 20% pre-tax return on capital employed is minimum acceptable for any project.

1. Prepare a profitability statement. **20**
2. Advise the management whether a new product should be introduced or not. **20**

P09/FM2110/EE/20091119

Strategic Cost Management

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. What is meant by the scope and importance of strategic management ? Explain the benefits by which the process of strategic management has become significant. **15**

2. Explain the issues in mass customization. **15**

3. Give the various methods of disposing waste. **15**

4. What phases have been suggested by Lawrence D. Miles to develop a successful job plan ? **15**

5. What are the steps involved in decision making ? **15**

6. Explain the strategies for risk management. **15**

SECTION II

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

Robust, progressive and forward looking companies are doing what is the need of the hour – managing cost. Efficient cost management includes spending where it is absolutely necessary, streamlining processes and also cutting flab.

Strategic cost management is as important a target to meet, as it is for the marketing or sales division. It becomes a challenge for companies / firms to simultaneously manage employee expectations and costs. There is certainly no doubt about the fact that firms across sectors are taking proactive measures to manage costs better in times of stress. All things that were unlimited will now come under one cap. This is a good time for HR managers to come up with innovative ways to rationalize cost.

Also, when corporate houses decide to cut costs, it entails the sacrifice of business development and growth, as it is most likely to adversely affect the company's customer service, R & D and technology. In lieu of the grim global business outlook, a lot of firms are consciously implementing cost management measures to enhance productivity.

Questions :

a) As an executive, explain your strategies and their implementation on cost management measures to enhance productivity of a leading automobile (4 wheeler-small car) company. **20**

b) Do you think that the planning and control of costs is usually inextricably linked with revenue and profit planning ? Give your opinions with proper justifications. **20**

P09/FM2109/EE/20091119

Management of Financial Institution

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 six 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 calculator is allowed.

SECTION I

1. Explain the role of financial intermediaries. **15**

2. What is loan syndication ? State the advantages and disadvantages of loan syndication procedure in India. **15**

3. What is leasing ? Give the advantages and disadvantages of leasing. **15**

4. What are the various types of changes that have occurred in the insurance industry ? **15**

5. Discuss the functions of Reserve Bank of India. **15**

6. Write short notes on : **15**

a) Advantages of venture capital.

b) Importance of vision and mission statements.

c) Three pillars of capital adequacy.

SECTION II

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

Zaheer Khan Limited have located a factory of about 35,000 sq. ft. in their two acres 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 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 profits	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	Days	31-03-2003 (Estimates) Rs. 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 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 :

1) The Directors are first generation businessmen and have a proven track record.
2) The Company's CEO has 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 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 non-acceptance. Provide suitable reasons for your decision and recommend the changes (if any), that the management should bring about so that the proposal can be considered. Assume a 25% margin for loan disbursement.

Questions.

a) Analyse the case. **20**

b) Appraise the above proposal and give recommendations to zonal office for its acceptance or non-acceptance. **20**

P09/FM2108/EE/20091119

International Finance

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 six 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 calculator is allowed.

SECTION I

1. State and explain the principles of global finance. **15**

2. Explain the structure of the foreign exchange market. **15**

3. What is transfer pricing ? Mention the laws on transfer pricing in India. **15**

4. What do you mean by Eurobond and Eurobond market ? State the advantages of Eurobond market. **15**

5. Define the term loan syndication. State the advantages and disadvantages of loan syndication procedure in India. **15**

6. Write short notes : **15**
   a) International monetory fund
   b) Types of interest rate risk
   c) Advantages of depository receipts

SECTION II

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

Abrahim India Ltd was a subsidiary of Abrahim USA. The American principal could only hold 50 per cent equity in the Indian company due to the prevailing foreign exchange regulations in the country. The Indian economy was growing at a fast pace and the profits were good for Abrahim India Ltd. Abrahim USA wanted to increase its share of the profits in the Indian operations by increasing its equity holding. It applied a number of times to the Government of India - each time giving a different reason - but all its requests for pumping in additional equity in Abrahim India Ltd were turned down.

Abrahim USA invested the funds that it had been keeping for increasing its stakes in Abrahim India Ltd, for the purchase of a company, Special Valves Ltd in the UK. Abrahim USA purchased 100 per cent equity of the British company, which was expected to yield a return of 10 per cent on the investment. The economy in the UK was fairly stable. Inflation was under control and its annual rate was 5 per cent. Similarly, the value of the pound against the dollar was more or less static. As against this, the inflation rate and the rate of return in India had been 10 per cent and 24 per cent per annum, respectively. Secondly, the period of the government resorting to nationalization of foreign companies was long over and the MNCs had been flourishing. Expected changes in the exchange rates between the dollar, pound and Indian rupee are given below :

Exchange Rate at that Time	Exchange Rate after One year
\$ = 41.00 INR	\$ = 46.00 INR
\$ = 0.69 Pounds	\$ = 0.67 Pounds

After one year, the management of Abrahim USA examined their income in the UK and estimated what it could have been if they had been able to invest in the Indian company. The Government of India had changed during the year under review. The incoming government had decided to give a high priority to controlling the spiralling inflation. The country was expected to bring down its inflation rate to 6 per cent and maintain the exchange rate between INR and the dollar with a maximum variation of 5 per cent per annum. There was some slowing down of the Indian economy, but the return on investment was still expected to remain at 18 per cent per annum.

Director Overseas Operations at Abrahim USA hit upon a novel idea of increasing their holding in India. A company, Special Valves India Ltd, was formed with 50 per cent equity from Abrahim India Ltd and remaining 50 per cent from Special Valves, UK. This resulted in Abrahim USA getting 50 per cent stake in Special Valves India through its British subsidiary and 50 per cent of 50 per cent = 25 per cent via Abrahim India Ltd. The US company had thus managed 75 per cent holdings in Special Valves India Ltd. The management of Abrahim USA considered this to be a great strategic success because at that time, return on capital in the USA was only 7 per cent per annum and inflation was at 4 per cent per annum.

The investment in Special Valves UK (which was earmarked for investment in India) was Rs. 15 crore and total investment in Special Valves India was Rs 5 crore. Assume realistically, any other data not given in the above narrative and answer the following questions :

Question :

1) Analyse the case **20**

2) Did Abrahim USA initially lose substantially by having to invest in the UK instead of being allowed to increase their stakes in Abrahim India Ltd ? Calculate the exact difference. **10**

3) What did Abrahim USA gain by setting up and investing in Special Valves India Ltd instead of investing these additional funds in the USA ? **10**

P09/FM2107/EE/20091118

Project Planning, Analysis and Management

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. Explain the concept, project analysis. Discuss the sources of project ideas. **15**

2. What is an income statement ? Explain the purpose of preparation of income statement. Point out its limitations. **15**

3. State and explain the techniques for analyzing market risk and firm risk. **15**

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

5. Highlight basic differences between commercial financial appraisal and social cost benefit analysis. When and why should we undertake SCBA for a project ? **15**

6. Write short notes on : **15**

a) Difficulties in capital investments

b) Objectives of cash flow statement

c) Profitability analysis

SECTION II

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

Even though the nationalized banking industry has, over the decades, built up extensive business, there is still a vast untapped potential and many lines of business have remained under-developed. Arrival of new players should speed up the spread of products with better reach to the markets. All this followed by the liberalization has led to customers hoping for excellent customer service. An insight where a customer has given some insights based on what he has experienced with a leading private sector bank, XYZ.

It was last week of June; XYZ bank announced a special home loan scheme to any buyer of property in Pune. The scheme terms were attractive. Booking had to be on spot for a housing loan to be availed in six months for approved builders. The rate of interest offered was 8.25% p.a., the lowest rate prevailing in the market with 0.5% processing fees. The scheme was a grand success in Pune more than Rs. 200 crores worth property was booked within four days.

Mr. and Mrs. ABC opted for the scheme with an understanding that Mrs. ABC would only be the guarantor and not a co-borrower as she is an employee of a nationalized bank, and had already availed of a loan from a bank. ABC family booked a flat with a leading builder by registering the property in joint names valued at Rs. 15 lakhs. In August, after paying a sum of Rs. 10 lakhs as their contribution, they asked XYZ personnel to release the balance after complying with all the necessary documents as stipulated by Direct Selling Agency of XYZ.

After four days, they were informed that though Mrs. ABC was earning a decent salary and her income tax returns were filed, they could not be given the funds as in case of XYZ there is no guarantor scheme. The builder had raised a demand for Rs. 3 lakhs with interest payable at 2% per month as per their agreement. Mr. Varma of XYZ stated that the document would have to be in Mr. ABC's name or Mrs. ABC would have to be co-borrower. The former option meant re-registration, which had commercial implications of 5% for the first ten lakhs and 8% for every lakh or part thereof after. The latter option was time consuming as approval from head office was required and could take atleast two months.

ABC family decided to get a special clearance from their bank as Mr. Varma refused to budget. This took two months, which resulted an interest penalty payable to the builder. Mr. ABC was frustrated with his experience.

Questions :

a) Analyze the case. **20**

b) Compute the cost implications of various alternatives before arriving at a decision. **10**

c) Suggest proper option to ABC family. Offer your comments. **10**

P09/FM2106/EE/20091118

Security Analysis and Portfolio Management

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. What is investment ? Explain the investment process in detail. **15**

2. State the advantages of national stock exchange. Discuss the recent trends in national stock exchange. **15**

3. Define the term 'economic analysis'. State the economic factors considered for economic analysis. **15**

4. Define the concepts 'forward and futures'. State the benefits of index based futures. **15**

5. Why do companies become delisted ? Discuss the suggestions given by the Chandratre Committee Report. **15**

6. Write short notes on : **15**
   a) Investment objectives
   b) Need for industry analysis
   c) The Markowitz model

SECTION II

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

Prachish Vasudeva and Sameer Verma graduated in engineering from BITS, Pilani in 1999. M. M. Sharma also completed his degree in management, specializing in HRD the same year. The three decided to join hands and start a company. A slightly senior partner, Neeru, who had completed her Chartered Accountancy one year before, joined them. They selected a location near Jaipur, which offered tax holiday to their company for the initial five years of operations. After much debating, the company was named Over The Teens Team Ltd (OTTT Ltd, Jaipur). All the partners pooled whatever resources they could raise and registered a partnership concern with equity of Rs. 5 lakh. The operations were started in December 1999 and 15 months' sales, i.e. up to 31 March, 2001 were Rs. 8.6 lakh and profits (there being no tax) were Rs. 2.2 lakh. This was over and above the monthly salaries drawn by the partners. Having overcome the initial problems associated with the starting of the company, the team sat down to ponder about the future course of action. Prachish and Sameer felt that funds were badly needed for the operations to expand. M. M. Sharma wanted all the profits to be distributed as dividends. He suggested that OTTT Ltd should be converted into a public limited company. There would be some expenses for doing this changeover, but this change will provide additional capital required for expansion. Prachish and Sameer, however, felt that their hold on the company will be lost if OTTT Ltd went public. Secondly, the benefits of the hard work put in by them in starting the company would get scattered among a large number of shareholders. They suggested that as a compromise, at best, half the profits should be distributed among the partners and the balance be ploughed back into the company. Neeru, who was affectionately called aunty due to her seniority in age and decision-making wisdom beyond her years, opined differently. She felt that the company had become adequately stabilized and she should be able to secure loans. The government had taken a number of steps to bring down the interest rates. Ideally, 30% of the earned profits should be earmarked for distribution as dividends to the partners and the remaining 70% should go for capital formation. Neeru aunty ruled that profit distribution as dividends could be increased to 40% due to the fact that all the members of the team were young and needed to repay a part of the loans that they may have taken to raise the initial equity. This would mean a dividend of Rs. 21,875 to each partner for 15 months of operations. This would work out to 14% per annum on an investment of Rs. 1.25 lakh contributed by each partner. Neeru aunty was confident of being able to arrange debt funds at about the same rate as the return being given to the partners. This meant that opening equity for the financial year 2001-02 became Rs. 6.2 lakh. Neeru aunty was requested to raise loans of similar amount at lowest possible interest rates.

The position at the end of the financial year 2001-02 was as follows :

Opening equity	Rs. 6.20 lakh
Debt	Rs. 5.00 lakh
Turnover	Rs. 13.00 lakh
Profit before interest (there being no taxes)	Rs. 3.43 lakh
Interest @ 15% p.a. for 9 months	Rs. 0.56 lakh
Profit after interest	Rs. 2.87 lakh

All the partners of OTTT Ltd agreed, through a majority decision, to maintain the dividend at the rate of 14% as in the previous 15 months, but for the increased equity. The balance of the profit was to constitute reserve and eventually be added to the equity. The ratio of the retained profits to the profit paid as dividend worked out to about 70 : 30. Neeru aunty, Prachish and Sameer favoured this arrangement. They argued that besides expanding the business, retained earnings were marginally cheaper than the debt and finally, capital gains tax will be much lower than the annual income tax. This would result in a dividend of Rs. 21,700 in the hands of each partner and equity would rise to Rs. 8.202 lakh. M. M. Sharma was not happy with this policy and decided to part company with OTTT Ltd. He was paid Rs. 1.4 lakh. Neeru tried to make up the shortfall through additional borrowings but the departure of their partner had sent negative signals to the financiers. Some institutions tried to increase the interest rates. Finally, Neeru aunty managed to retain Rs. 5 lakh at the old interest rates and could borrow additional Rs. 1 lakh also at 15 per cent per annum interest rate. Prachish and Sameer considered this to be a great achievement.

Financial year 2002-03 proved to a year of mixed fortunes for the company, OTTT Ltd, Jaipur. Financial data at the end of the financial year was :

	(All figures in rupees lakhs)
Opening equity after paying out to M. M. Sharma (8.202 – 1.4) =	6.802
Debt	6.000
Turnover	15.250
Profit before interest (there being no taxes)	4.575
Interest	0.900
Profit	3.675

Dividend was stepped up to 14.5% and a amount of Rs. 50,639 was given per partner on the closing equity base. Rest of the earnings were added to the equity. The bad news was that Neeru aunty had to leave. She got married and left Jaipur to stay with her husband in New Delhi. She was persuaded not to withdraw her equity, but only cease to be a full-time employee. A professional financial manager was hired. However, Neeru aunty's leaving had many adverse effects. Briefly, these were :

a) One partner leaving every year proved too much for the reputation of OTTT Ltd, Jaipur.

b) Neeru aunty's dedication and wisdom could not be replaced by the actions of an employee finance manager. There were pressures to recall loans by the lenders.

c) Day-to-day financial control and cash flow suffered seriously. Respect given by the vendors, due to they being paid promptly, was a casualty.

Further, the tax-free paid for OTTT Ltd was coming to an end and the performance of the company was expected to suffer. The partners decided to wind up the company. A net cash balance of Rs. 8.7 lakh was available after closing the books in December 2003. This was distributed at the rate of Rs. 2.9 lakh per partner.

Overall credit and debit for each partner was as follows :

1.	Initial investment	Rs. 1.25 lakh
2.	Return as dividend after 15 months	Rs. 21,875
3.	Return as dividend after 27 months	Rs. 21,700
4.	Return as dividend after 39 months	Rs. 50,639
5.	Final payment after 48 months	Rs. 2.9 lakh

Assume that the partners had to pay income tax on the payments listed at serial numbers 2, 3 and 4 at the rate of 30%. The payment at serial number 5 is to be treated as capital gains with Rs. 1.25 lakh being indexed at 300, 308, 315, 324, 331, 340 and 350 respectively. Capital gains tax is to be levied at the rate of 20%.

Questions :

a) Analyze the case. **20**

b) Analyze the performance of OTTT Ltd, Jaipur from various angles and offer your comments. **20**

P09/FM2105/EE/20091117

Management Corporate Policies and Financial Services

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. What do you understand by liberalization and globalization of financial markets ? State its effects on financial markets. **15**

2. Explain the concept of risk state. How is the risk related with financial services sector ? **15**

3. Write a detailed note on "venture capital". **15**

4. Distinguish between :

a) Rights issue and bonus issue **7**

b) Hire purchase and lease financing **8**

5. Explain the concept of debt securitisation. State its mechanism. **15**

6. Write short notes on : **15**

a) Debit cards.

b) Merchant banking.

c) Sensex

SECTION II

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

Martin Saunders has always been concerned about his image. This is reflected in the success of his Benning Hotel chain, a collection of 11 hotels and motels located along the interstate highway system in Texas. Even though he only holds 5 percent of the common stock, his management style deserves much of the credit for the firm's rapid growth of profits and cash flow. With gross revenues approaching $12 million this year and $1.7 million in profits, the company is proving to be a wonderful investment for its 7 shareholders.

But first things come first. Marty could hardly be concerned about business this morning. Last night, when the board authorized a new car for President Saunders, Marty knew that his time had come. He must make a decision — which car would it be ? He was leaning towards the 4-year-old Rolls Royce offered by Luxury Motors in Dallas. While $150,000 may seem like a lot of money for a "used car," Marty knew that the board was rewarding his efforts. And, as a company car, it could be used to escort key clients who were considering holding business and other meetings in some of the Benning locations. This would be particularly helpful since next year's plans included an expansion into conference centers in the Houston and San Antonio areas.

With respect to the car, Marty had two dilemmas. First, the same dealer also had a new Rolls for $110,000. It was not the same model and had nowhere near the prestige and features. But it was classy and would do the job. The second problem was that he could buy or lease either vehicle. The dealer offered to lease the $150,000 car for 36 months at $3,000 per month lease cost. Or, the $110,000 car could be leased for the same period for $2,400 per month. In each case, Benning Hotels would be signing a financial lease with monthly payments in arrears.

Just before noon, Marty decided that leasing was the better alternative. He had some concerns about the psychological impact on the Benning family (four of the seven shareholders) if he went out and bought a company Rolls Royce. But he was not sure whether the $3,000 or $2,400 lease payment made sense. If he leased the car, he was willing to give Luxury a reasonable return on its money, say 18 percent a year with monthly payments and compounding. Did the two quoted payments give this kind of rate ?

He did have one helpful bit of information. John Roberts, one of the owners of Luxury Motors, told Marty that each lease choice would also contain the option to buy the car at the end of 36 months. The higher priced car could be purchased at $140,000 a price that reflected the expectation that the car would not be dropping very much in value. The lower priced car could be purchased at $80,000, a much larger percentage drop from the original price. John told Marty that the option prices reflected John's estimate of the fair market value of each car in 3 years.

Before he chose the car that he would lease, Marty decided to calculate the "fair" lease payment for each car. If he found excess profit about the 18 percent financing charge, he would bargain with John Roberts to get a lower lease cost. Then, knowing the lower lease cost, he would make his decision.

a) Analyse the case in detail. **10**

b) Calculate the monthly payment for either lease. **15**

c) Suggest the best of the proposal from among the alternatives available. **15**

P09/FM2104/EE/20091117

Indian Financial System

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) Both 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. What do you understand by a 'financial system' ? Describe the types of financial markets. 15

2. Write short notes on : 15

   a) Types of risk.

   b) Statutory liquidity ratio.

   c) Cash reserve ratio.

3. Explain the role of co-operative banks in Indian rural development. Describe the organizational structure of co-operative banks. 15

4. What are the objectives and benefits of mutual funds ? Describe the various types of mutual funds. 15

5. What is money market ? Describe the various types of instruments of money market. 15

6. What is foreign exchange risk ? How is the foreign exchange risk hedged by future, forward and swaps ? 15

SECTION II

7. What are the different types of ratios ? Write about liquidity and capital ratio. **10**

8. **Case Study** **30**

The summarized balance sheet of Ashwin Ltd., as on 31st March, 1993, 1994, 1995 are given below.

Balance sheet as on 31st March [in lacs]

Liabilities	1993	1994	1995
Paid up capital	194	194	194
Long term borrowings			
i) From banks	68	97	127
ii) From others	281	343	376
Current liabilities	52	54	99
Total	595	688	796
Assets			
Fixed assets	286	261	239
Current assets	143	199	234
P & L a/c	166	228	323
Total	595	688	796

Calculate the following ratios for 3 years :

a) Debt equity ratio

b) Current ratio

c) Fixed asset ratio

d) Proprietary ratio

Assess the company's financial position from the ratio analysis.

P09/FM2103/EE/20091116

Corporate Laws

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 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. What are the various kinds of companies ? Differentiate between private company and public company. **15**

2. Discuss the meaning, purpose and the main contents of the Articles of Association as well as of the Memorandum of Association. **15**

3. What do you understand by share capital ? What are the various kinds of shares ? **15**

4. "A company cannot borrow money unless it is so authorized by its memorandum". What are the consequences and remedies for unauthorized borrowing ? **15**

5. "Dividend is distribution to shareholders out of the profits or reserves available for this purpose." Explain the rules regarding the payment of dividends. **15**

6. What are the salient features of the Foreign Exchange Management Act (FEMA) ? How does it differ from F.E.R.A. ? **15**

SECTION II

7. Case Study I 10

The promoter of a company incorporated on 15th July, 2000 had entered into a contract with *A* on 1st November, 2000 for the supply of the goods. When the company came into existence, however, it did want to continue the contract. Discuss the validity of this contention.

8. Case Study II 10

A public company has issued a prospectus but the subscription list has not opened yet. The company received a letter from a prospective buyer of the company's shares requesting it to furnish him certain particulars which were not mentioned in the prospectus. Is the secretary bound to furnish said information ? Explain the legal provisions in this regard.

9. Case Study III 10

The assets of a company, which is a running concern, are meagre and its liabilities are heavy. The directors, who wish to avoid liquidation, propose a scheme for the reconstruction of the company involving fresh issue of shares. Meetings of the members and the creditors are, thereafter, held under the direction of the Court, at which the consent of the majority 3/4th is obtained in favour of the scheme.

Thereafter, some of the minority creditors prove before the Court that the directors had failed to disclose material facts regarding the company's financial position. Can the creditors succeed on this ground ?

10. Case Study IV 10

The plaintiff carried on business under the name of "Buttercup Dairy Company Limited" as a wholesale provision merchant in Maharashtra. The defendant was incorporated with its registered office at Calcutta with the main object of manufacturing and selling margarine under the name 'Buttercup Magarine Co. Ltd.' after ascertaining that there was no similar name in the register of companies kept by the registrar. What sort of action can be brought by former company ?

P09/FM2102/EE/20091115

Direct and Indirect Taxation

Time : Three Hours **Marks : 100**

Instructions to Candidates :

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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. a) Describe the deductions allowed under the head "salaries". **8**

b) Explain the conditions under which the house rent allowance can be exempted. **7**

2. Explain the term "ownership of property" under the head "income from house property." **15**

3. Describe the deductions which are not allowed in certain circumstances under the head of "profit and gain from business and professions". **15**

4. State the sources of customs law in India. **15**

5. a) Enumerate the types of excise duties. **10**

b) What do you mean by : **5**

i) Specific duty

ii) Ad valorem duty

6. Explain the term "liability" under Central Sales Tax Act. **15**

SECTION II

Case Study

7. Mr. X has occupied three houses for his residential purposes, particulars of which are as follows : **40**

Part iculars	Houses I	Houses II	Houses III
Standard rent under Rent Control Act [*not applicable] (c)	15,000	20,000	*–
Municipal valuation (a)	10,000	30,000	30,000
Fair rent (b)	18,000	18,000	35,000
Municipal taxes paid	1,200	2,400	3,600
Repairs	Nil	Nil	200
Insurance premium	1,200	1,300	600
Ground rent	1,800	7,000	400

X borrows Rs. 30,000 @ 20% per annum for construction of house III (date of borrowing is 1 June, 1998 and date of repayment of loan is 10 May, 2006).

Construction of all the houses is completed in May 2003. X is a salaried employee drawing Rs. 2,40,000 per annum as a salary. Determine the total income and tax liability on the assumption that he contributes Rs. 24,000 towards recognised provident fund for the A.Y. 2008-09.