UNIQUE ACADEMY FOR COMMERCE

CS-Executive New Syllabus **Marks- 50**

Subject – Corporate Accounting & Financial Management **Time – 90 Minute**

Topic Name - Capital structure, Capital Budgeting, Issue of Shares, Forecasting of financial statements

ATTEMPT ALL QUESTIONS

Q.1 A Company issued 10,000 shares of Rs. 10 each at a premium of Rs. 3 per share in the following manner:

Application	Rs.4
Allotment	Rs.5 + 3
On call	Rs. 1

Company received application for 13,000 shares. Company rejected & refunded the amount of application of 1,000 shares and made pro rata on remaining applications. Mr. R holder of 500 shares failed to pay any amount after application money. Company forfeited his shares after making call and subsequently re-issued 350 shares out of them @ Rs. 8 per share. Give necessary journal entries in the books of the Company. **(10 Marks)**

Attempt Either Q.2 or Q.2A

Q.2 You are the Company Secretary of DP ltd and assigned task of profitability projections of difference scenarios based on historical data provided: (Rs in Cr.)

Revenue (Sales)	200
Variable cost (60% of Sales)	120
Fixed Cost (others)	20
Depreciation	25
Taxes	10
Cash flow from operation	50
Net Cash flow	50

Company is forecasting that sales will be increased by 37.5% approximately keeping in the mind of Market forces whereas, the variable cost will be forecasted at 56% of sales. Company is in the anticipation of having fixed cost of Rs.15 cr. On the other side (i.e.) on worst situation, Company is forecasting the that sales will be curb by 25% approximately keeping in the mind of Market forces whereas, the variable cost will be forecasted at 65% of sales. Company is in the anticipation of having fixed cost of Rs. 25 cr.

It is forecasted that depreciation remains unchanged in case of any scenario and tax rate shall be applicable at 28.57% **(10 Marks)**

OR

Q.2A Given below are the data on a capital project 'C':

Cost of the Project	Rs. 2,28,400
Useful Life	4 years

Profitability Index	1.0417
Internal Rate of Return	15%
Salvage Value	0

Calculate- (i) Annual Cash Flow, (ii) Cost of Capital, (iii) Net Present Value (NPV), (iv) Discounted Payback Period Given the following table of Discount Factors:

Discount Factor	15%	14%	13%	12%
1 Year	0.869	0.877	0.885	0.893
2 Years	0.756	0.769	0.783	0.797
3 Years	0.658	0.675	0.693	0.712
4 Years	0.572	0.592	0.613	0.636

(10 Marks)

Q.3 The Management of Z Ltd wants to raise its funds from market to meet out the financial demands of its long-term projects. The Company has various combination of proposals to raise its funds. You are given the following proposals of the Company:

1.	Proposals	% of Equity	% of Debt	% of Preference Shares
	P	100	-	-
	Q	50	50	-
	R	50	-	50

2. Cost of Debt -10%, Cost of Preference Shares -10%

3. Tax Rate - 50%

4. Equity Shares of the Face Value of Rs. 10 each will be issued at a Premium of Rs. 10 per Share.

5. Total Investment to be raised Rs. 40,00,000.

6. Expected Earnings Before Interest and Tax Rs. 18,00,000.

From the above proposals the Management wants to take advice from you for appropriate plan after computing the following - (1) Earnings Per Share, (2) Financial Break-Even-Point, and (3) Compute the EBIT Range among the plans for indifference. Also indicate if any of the plans dominate. **(10 Marks)**

Q.4 Z Limited is considering the installation of a new project costing Rs.80,00,000. Expected annual sales revenue from the project is Rs.90,00,000 and its variable costs are 60%. of sales. Expected annual fixed cost other than interest is Rs.10,00,000. Corporate tax rate is 30%. The company wants to arrange the funds through issuing 4,00,000 equity shares of Rs.10 each and 12% debentures of Rs.40,00,000.

You are required to:

(i) Calculate the Operating, Financial and Combined Leverages and Earnings per share (EPS).

(ii) Determine the likely level of EBIT, if EPS is (1) Rs.4, (2) Rs.2, (3) Rs.0. **(10 Marks)**

Q.5 (a) Importance of Financial Forecasting **(5 Marks)**

Q.5 (b) A doctor is planning to buy an X-Ray machine for his hospital. He has two options. He can either purchase it by making a cash payment of ` 5 lakhs or ` 6,15,000 are to be paid in six equal annual installments. Which option do you suggest to the doctor assuming the rate of return is 12 percent? Present value of annuity of Re. 1 at 12 percent rate of discount for six years is 4.111. **(5 Marks)**

ALL THE BEST