

5. Attempt any two parts of the following : 2×10=20
- (a) Explain briefly the mechanism of factoring. What are the functions of a factor?
  - (b) Describe briefly the distinguishing features of a venture capital financing as against other capital investments.
  - (c) Discuss the main features of the operational framework of merchant bankers in the Indian primary market.

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No. of Printed Pages : 06

Following Paper ID and Roll No. to be filled in your Answer Book.

<b>PAPER ID : 9129/</b>	<b>Roll No.</b>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
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**Int. LLB Examination 2017-18**

(Sixth Semester)

**FINANCIAL ANALYSIS AND DECISION MAKING**

Time : Three Hours]

[Maximum Marks : 100

Note :- (i) Attempt all questions.

- (ii) Each question carries equal marks.
- (iii) Use of simple calculator is allowed.

1. Attempt any four parts of the following : 5×4=20
- (a) Explain any two profitability ratio and also explain how they are useful to different stakeholders.
  - (b) How does the primary market enhance productivity of investible funds in an economy?
  - (c) What are the ways the project cash flow can be classified?

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- (d) Explain briefly main determinants of dividend policy of a firm.
- (e) Explain the nature and characteristics of commercial papers.
- (f) Write the roles of a merchant bankers in brief.
2. Attempt any two parts of the following :  $2 \times 10 = 20$
- (a) What are the different ways of classifying financial markets?
- (b) The balance sheet of XYZ company is given below :

Liabilities	Amount (₹ in lakh)
Equity share capital	250
General reserves	280
Profit & loss account (current year)	30
Secured loans - long term	300
Secured loans - short term	360
Creditors	150
Other liabilities	30
	<b>1,400</b>

Assets	Amount (₹ in lakh)
Fixed assets	400
Investments	50
Stock	460
Debtors	460
Cash in hand	10
Misc. expenditure (not written off)	20
	<b>1,400</b>

**Additional information :**

- (i) From the profit and loss account ₹ 90 lakh were transferred to general reserves during the year.
- (ii) Interest cost amounted to ₹ 120 lakh.
- (iii) Taxation @ 40%.
- You are required to calculate :
- (i) Debt-equity ratio
- (ii) Current ratio
- (iii) Interest coverage ratio
- (iv) Current ratio

(c) What do you mean by Cash Flow Statement? Explain its uses and schedule. How it is different from fund flow statements?

3. Attempt any two parts of the following :  $2 \times 10 = 20$

(a) What do you understand by feasibility study of a project? What are the different types of feasibility reports?

(b) A company is considering two mutually exclusive projects. The initial cost of both projects is ₹ 5,000 and each has an expected life of 5 years. Under three possible state of economy, their annual cash flows and associated probabilities are as follows :

Economic State	Probability	NCF (₹)	
		Project A	Project B
Good	30%	6,000	5,000
Normal	40%	4,000	4,000
Bad	30%	2,000	3,000

If the discount rate is 7%, which project should the company accept?

(c) What is Sensitivity Analysis? What are its advantages and limitations?

4. Attempt any two parts of the following :  $2 \times 10 = 20$

(a) What is Miller Modigliani's dividend irrelevance hypothesis? Critically evaluate its assumptions.

(b) Explain a stock split. Why is it used? How it is differ from a bonus share?

(c) ABC Limited and PQR Limited are similar in all aspects except in return to shareholders. ABC Limited's dividend policy is not to pay any dividend. It provides only capital appreciation @ 20% per year. PQR Limited provides only dividend at the rate of 18% per year. You are required :

(i) If both the shares are being traded at ₹ 125, dividend tax and capital gain tax is same i.e. 25%, compute after tax return from both the companies.

(ii) If dividend tax is 20% and capital gain tax is 30%, compute after tax return for both the companies.