

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

PAPER ID : 29111/ 29306	Roll No.																			
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Int. LLB Examination 2015 - 2016

(Second Semester)

FINANCIAL ACCOUNTING

Time : 3 Hours]

[Maximum Marks : 60

Note :- (i) Attempt all sections.

(ii) Section A carries 8 marks, section B carries 12 marks and section C carries 40 marks.

SECTION - A

1. Attempt all questions : 8×1=8
 - (a) Discuss the functional advantage of financial management in brief.
 - (b) Discuss the long and short term source of finance.
 - (c) Discuss the Capital Asset Pricing Model (CAPM).
 - (d) Define degree of financial leverage.

[P. T. O.

- (e) The management of Vibgyor Fabrics subscribes to the NOI approach and believes that its cost of debt and average cost of capital will remain at 9% and 12% respectively. If debt equity ratio is 0.8 What is the cost of equity?
- (f) Define over capitalization under capitalization in brief.
- (g) Define economic order quality.
- (h) Define matching, conservative approaches of working capital.

SECTION - B

2. Attempt any two parts of the following : $2 \times 6 = 12$
- (a) Fifteen annual payments of Rs, 5,000 are made into a deposit account that pays 14% interest per year. What is the future value of this annuity at the end of 15 years?
 - (b) The expected cash flows of a project are as follows :

Year	Project	Cash Flows
0		-1,00,000
1		20,000
2	M	30,000
3		40,000
4		50,000
5		30,000

The cost of capital is 12% calculate the following :

- (i) Net present value
 - (ii) Benefit cost ratio
 - (iii) Internal rate of return
 - (iv) Pay back period
- (c) Modern enterprises required 90,000 units of a certain item annually. If costs Rs. 3 per unit the cost per purchase order is Rs. 300 and the inventory carrying cost is 20% per year.
- (i) What is the economic order quality?

[P. T. O.]

- (ii) What should the firm do if the supplier offers discounts as below :

Order quantity	Discount (%)
4,500 – 5999	2
6,000 and above	3

- (d) Vintex Ltd. has a target ROE of 20%. The Debt : Equity Ratio of the firm is 1.2 and its pre tax cost of debt is 12%. What ROI should the company plan to earn if it's tax rate is 30%?

SECTION - C

Note :- Attempt all questions. Attempt any two parts from each question. $5 \times 8 = 40$

3. (a) Discuss the three broad areas of financial decisions area.
- (b) State the general formula for the future value of a single amount.
- (c) If you invest Rs. 5,000 today at a compound interest of 9 percent. What will be its future value after 75 years?

4. (a) The equity stock of Rax Ltd is currently selling for Rs. 30 per share. The dividend expected next year is Rs. 2.00 the investors required rate of return on this stock is 15%. If the constant growth model applies to Rax Ltd. What is the expected growth rate?
- (b) What is adjusted NPV?
- (c) How is beta calculated?
5. (a) How does DOL vary with changes in quantity?
- (b) The following information is available for Sortex International :
- | | |
|----------------------|--------------|
| Selling price / unit | Rs. 20 |
| Variable cost / unit | Rs. 12 |
| Total fixed costs | Rs. 5,60,000 |
- (i) What is break even output?
- (ii) What is the break-even sales in rupees?
- (c) What is the relationship between leverage and cost of capital as per the net income approach?

[P. T. O.]

6. (a) Define the factors which influencing working capital requirements.
- (b) Comtex Ltd. is trying to figure out the reorder level for one of it's major raw materials.

The following data are available :

Usage 40 units / day

Lead time 30 days

Average quantity ordered = 900 units

The values of fixed cost corresponding to the acceptable stock out is 2.0. What should be the Reorder point?

- (c) Define the important forms of working capital advance given by banks.

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