K. J. SOMAIYA INSTITUTE OF MANAGEMENT STUDIES AND RESEARCH,

PGDM (RM) 2016 0 18 - III TRIM

Maximum Marks: 50 **Date: 03/04/2017** **Duration: 3Hrs**

Answer any five carrying 10 marks -10*5=50Marks

Question No:1

For the following data apply Gordon dividend Model and write the analysis

If k=11% and EPS Rs 16 calculate the price per share of samridhi Ltd for r=12%,11% and 10%								
for the following levels of D/P ratios								
D/P	Retention Ratio							
10%	90%							
30%	70%							
50%	50%							

Question No:2

ML Ltd. has the following capital structure as per Balance Sheet as at 31/3/2009:

Equity share capital (of Rs.10 each)	400000
18% Preference share capital of Rs.100 each	300000
Retained earnings	100000
12.5% Debentures	800000
12% Term loan	400000
Total	2000000

(a) Currently quoted price in the stock exchange: Equity shares @ Rs.64.25, Preference Shares @ Rs.90, Debentures @ Rs.95.

(b) For the last year, the company had paid equity dividend of Rss.8 per share which is expected to grow @ 5% p.a. forever.

(c) The corporate tax rate is 30%.

Calculate WACC

Question No:3

Calculate the operating cycle of a company which gives the following details:

Raw material consumption per annum	6000000
Average stock of raw material	1000000
Factory cost of goods produced	10500000
Average stock of WIP	437000

Office cost of goods produced	11400000
Average stock of FG	950000
Average Trade debtors	1125000
Cost of credit sales	9000000
Average trade creditors	500000
Expenses for the year	3000000
Average creditors for expenses 500000	
No.of working days in a year 360	

The company gets 30 days credit from its suppliers. All sales made by the firm are on credit. You may take one year as equal to 365 days.

Question No:4

GAL Limited is considering changing its credit terms and provides you the following information.

Particulars	Present Policy	Proposed Policy 1
Credit Terms	Net 25	2/10, Net 25
Sales	1440000	Increase in sales by Rs.40000
Average Collection Period	30 Days	Decline in Period by $1/3^{rd}$
Bad Debts	2%	2%

It is expected that 50% of the customers will take discount and pay on 10^{th} Day. The variable cost ratio is 70% and the required rate of return is 5%. The tax rate is 50%. Should the company change its credit terms? (Assume 360 day in a year)

Question No:5

Explain the Traditional theory of capital structure with its implications in today's corporate finance with any two suitable examples.

Question No.6

Explain the following

I. Long term sources of finance available for corporates today in India

II.Explain the decisions taken by finance manager in detail