

JAYPEE UNIVERSITY OF INFORMATION TECHNOLOGY, WAKNAGHAT

TEST -3 EXAMINATION- 2023

B.Tech-IV Semester (CSE/IT/ECE/CE)

COURSE CODE: (CREDITS):18B11HS411(03)

MAX. MARKS: 35

COURSE NAME: Finance & Accounts

COURSE INSTRUCTORS: Triambica Gautam &Dr. Amit Srivastava

MAX. TIME: 2 Hours

*Note: All questions are compulsory. Marks are indicated against each question in square brackets.*

Q1. Aspire Technologies is planning to raise capital from the market. Merchant Bankers to the issue have advised them to use both debt and equity. The following details about the capital issue are given. The equity shares are to be issued at Rs. 114, the current dividend is Rs5 and expected to grow at a rate of 20%. Debentures of Rs.1000 face value carrying a coupon of 12% and a term of 8 years are to be issued, the flotation cost is 2% of face value, issue price Rs. 980. The capital structure of the company is shown in the table below.

Liabilities	Book Value (Rs. Crore)
Equity	100
Reserves	400
Debt	200

- Calculate the cost of equity
- Calculate the post tax cost of debt
- What is the WACC of the company?

CO3[2+2+2]

Q2. A new project under consideration requires a capital outlay of Rs. 600 lakhs for which the funding can be raised by the issue of equity shares of Rs. 100 each or by the issue of equity shares of the value of Rs400 lacs and a loan of Rs.200 lacs at an interest rate of 15%. If the tax rate applicable to the company is 30%, calculate the indifference point between these two alternative financial structures. What is the range of EBIT over which the debt and equity structure will be preferable?

CO3[3+2]

Q3. Given below are the details of two projects A and B:

	A	B
Initial investment	Rs. 40,000	Rs. 60,000
Life of project	4 years	7 years
Annual cash inflow	Rs.15000	Rs.16000

Cost of Capital of the company is 15%. a) Calculate the NPV of the projects. b) If the projects are mutually exclusive which of the two is better? c) Calculate the EANPV of the two projects. d) Does it change the decision as in (b) above?

CO5[2+1+2+1]

Q4. What is the importance of working capital management to any organization? Discuss with the help of an example of a small retail organisation.

CO5[3]

Q5. Answer the following in about 80-100 words.

- Explain briefly the utility of an NPV profile.
- MIRR can be used for evaluation of projects with non conventional cash flows but IRR can't be used. Explain.
- How does high amount of leverage in an organization increase its riskiness?
- How is the cost of equity estimated using Capital Asset Pricing Model?

CO5[2\*4=8]

Q6. Answer the following in 1-2 lines.

- What does the limited liability feature in the company form of organization signify?
- How are sources of finance being used in an organization represented on the Balance Sheet?
- Cost of goods sold is the same as Sales. Comment
- What does the drawings account represent?
- Why are preference shareholders indifferent to Earning Per Share?
- How is depreciation recorded in the financial statements?
- Which of the three types of accounts is not a part of the Balance Sheet?

CO1[1\*7=7]