F.M.& Economics for Finance		
Time Allowed : 1 hour 30 min.	Test-3	Total Marks = 50 Marks

Q.1: What are the factors to be considered by venture capitalist before financing a new project? **(4Marks)**

Q.2: Explain the relationship between Financial Management and other areas of management. **(4 Marks)**

Q.3: A company is evaluating two mutually exclusive proposals. Project X will cost ₹ 10,000 now and will generate cash inflow of ₹ 5,000 each year over its life of 4 years. Project Y will cost ₹ 2,500 now and will generate cash inflow of ₹ 3,000each year over its life of three years. Which project would you select assuming cost of capital of 10%. **(5Marks)**

Q.4: From the following information, prepare Balance Sheet of a Firm:

Stock Turnover Ratio (based on COGS) - 7 times	Liquidity Ratio - 1.25
Rate of Gross Profit to Sales - 25%	Net Working Capital - ₹ 8,00,000
Sales to Fixed Assets - 3.5 times	Net Worth to Fixed Assets - 1.5 times
Average Debt Collection Period - 1.5 months	Reserves to net worth - 0.25 times
Current Ratio - 2	Long Term Debts - Nil
All sales are on credit basis	

(5 Marks)

Q.5: The Balance Sheet of X Limited, as on 31st March 2016 is as follow: -

Liabilities	**₹ '000**	**Assets**		**₹ '000**
Equity share capital	6,000	Fixed assets (at cost)	16,250	
8% preference share capital	3,250	Less: Deprecation written off	(5,200)	11,050
Reserves and surplus	1,400	Stock		1,950
10% debentures	1,950	Sundry debtors		2,600
Sundry creditors	3,250	Cash		250
	15,850			**15,850**

The following **additional information** is available: -

(a) Stock Turnover Ratio based on Cost of Goods Sold would be 6 times.
(b) Cost of Fixed Assets to Sales ratio would be 1.4.
(c) Fixed Assets costing ₹30,00,000 to be installed on 01.04.2016 payment would be made on 31.03.2017.
(d) In March, 2017, a dividend of 7% on Equity Capital would be paid.
(e) ₹ 5,50,000, 11% Debentures would be issued on 1st April, 2016.
(f) ₹ 30,00,000, Equity Shares would be issued on 31st March, 2017.
(g) Creditors would be 25% of the material consumed and Debtors would be 10% of sales.
(h) The COGS would be 90% of sales, which include material 40% and depreciation 5% of sales.
(i) Profit is subject to Debenture Interest and Taxation at 30%.

You are **required: -**

1. Compute projected sales for next year ended on 31st March, 2017.
2. Prepare the projected profit and loss statement for the year ended on 31st March, 2017.
3. Prepare the projected Balance Sheet as on 31st March, 2017. **(8 Marks)**

Q.6: A company made comparative study of several mutually exclusive capital projects. This study itself involved capital expenditure of ₹ 1,50,000. The life of the project is 5 years. Total cost of the project including initial study expenditure is ₹ 60,00,000. In additional, there is working capital requirement of ₹ 15,00,000. The company charges depreciation on straight line method and the scrap value after 5 years is ₹ 7,50,000. The amount of after-tax profits is mentioned below –

Year	**1**	**2**	**3**	**4**	**5**
Profits after tax (PAT) (₹)	7,50,000	12,00,000	15,00,000	9,00,000	7,50,000
PVT @ 12%	0.8929	0.7972	0.7118	0.6355	0.5674

You are **required** to compute NPV of the project and recommend the acceptability of the project.

(8 Marks)

Q.7: Explain Neo- classical approach of Money demand. **(4 Marks)**

Q.8: Repo Rate v/s Bank Rate. **(4 Marks)**

Q.9: Explain the major difficulties which are observed in Measurement of National Income. **(4 Marks)**

Q.10: Explain Investment Multiplier and its impact on National Income. **(4 Marks)**