



V. M. SALGAOCAR INSTITUTE
of
INTERNATIONAL HOSPITALITY EDUCATION

Type: Semester End Assessment

Date: 22nd April, 2022

Term: 9

Total Marks: 25

Time Duration: 02 Hours

Course Name: Financial Management

Course Code: IHOH115

Instructor: CMA (Ms.) Shameem Memon

This paper contains 02 pages in addition to the cover page.

Name of the Student: _____ Student Number: _____ Class: _____

Marks Obtained: _____ Faculty Signature: _____ Invigilator Signature: _____

Main Answer sheet	Number of Supplements	Total number of Answer sheets
01		

- Carefully read each question at the outset of the paper. All queries must be addressed to the faculty within the first 10 minutes of the examination.
- Students are expected to maintain complete silence in the examination hall and avoid interacting or communicating with their peers.
- Students must enter the examination hall 10 minutes prior to the scheduled time of the examination.
- Students will carry only their essential Books, notes, pens, pencils, calculators and scales into the examination hall.
- Bags, eatables, drinks, etc. will not be allowed inside the hall with the exception of a bottle of water.
- Cell phones and beeping watches are prohibited in the examination hall. The usage of electronic data banks is prohibited.
- Students will answer the examination with only blue/ black ball point pens unless informed differently by faculty. Avoid usage of green or red ink pens on the answer sheet.
- Dictionaries will not be allowed into examination hall unless informed differently by faculty.
- Students will not be permitted to exit the examination hall 30 minutes prior to end time of an examination. A student leaving the room will have to return his/her paper to the faculty and the paper will be considered as completed.
- Students may be permitted to take a break under exceptional circumstances only if accompanied by an invigilator.

Answer the following questions

Q.1. Foodworld Company Ltd. wants to buy one machine, for which Machine A is under consideration. Cost of Machine A is Rs.30,00,000. Discounting rate is 10%. Following data is provided by the company: **(08 Marks)**

Year	Machine A	
	Cash inflow after tax and after Depreciation	Depreciation per annum
01	990000	12000
02	890000	11000
03	860000	10000
04	660000	9000
05	600000	8000
06	300000	7000

You are required to:

- i) Calculate Discounted Payback Period and Net Present Value.
- ii) Advise the company about buying Machine A based on Discounted Pay Back period and Net Present Value.

The ideal payback period is 5 years.

Q.2 a) Calculate current ratio and liquid ratio of Beena Ltd. from the following information and offer your comments on the same. **(03 Marks)**

Particulars	Amount (Rs.)
Creditors	180000
Bank Overdraft	100000
Cheques in hand	76000
Debtors	300000
Bills Receivables	84000
Stock in Trade	380000
Prepaid Expenses	20000

Q.2 b) Calculate Earnings Per Share and Price Earnings Ratio from the following information:

Profit available to equity shareholders is Rs. 900,000.

Number of equity shares is 30000. Market Price per equity share is Rs.25. **(02 Marks)**

Q. 3. a) A 5-year bond with 12% coupon rate and Rs. 1000 Face value, has yield to maturity of 9% p.a. Assume annual coupon payment. Calculate Value of the Bond. Also state it is overvalued or undervalued if its market price is Rs.2500. **(02 Marks)**

Q. 3. b) The expected rate of dividend is 8%, Normal rate of return is 12 %, paid up value per share is Rs. 100, calculate value of a share by yield value method and fair value method if value of a share is Rs.85 on the basis of intrinsic value. **(02 Marks)**

Q. 4. a) A company has the following capital structure and cost of capital associated with the same. The tax rate is 35%.

Sources of Funds	Amount (Rs.)	Cost of Debt Before Tax (%)
Debt	800000	10
Preference Share Capital	400000	12
Equity Share Capital (Face value Rs. 100 per share)	600000	14
Retained Earning	200000	13

Calculate Weighted Average Cost of capital:

- According to book value
- According to market value if Market price per equity share is Rs. 120.

(06 Marks)

Q. 4. b) Write a short note on corporate governance.

(02 Marks)