



V. M. SALGAOCAR INSTITUTE
of
INTERNATIONAL HOSPITALITY EDUCATION

Type: Semester End Assessment

Date: 26/04/2023

Batch & Term: 2020-2023 & 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.

Full Name of the Student: _____

Permanent Registration 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 should not interact or communicate with their peers.
- Students will carry only their essential stationery like pens, pencils, rulers and simple calculators 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, electronic data banks, scientific calculators, and smart/beeping watches are prohibited in the examination hall.
- Students will answer the examination with only blue/ black ballpoint pens unless informed differently by faculty. Avoid the usage of green or red ink pens on the answer sheet.
- Dictionaries will not be allowed into the examination hall unless informed differently by faculty.

Answer the following questions

Q.1. GoodFood Company Ltd. wants to buy one machine, for which Machine Q is under consideration. Cost of Machine Q is Rs.40,00,000. Discounting rate is 12%. Following data is provided by the company: **(08 Marks)**

Year	Machine Q	
	Cash inflow after tax and after Depreciation	Depreciation per annum
01	1090000	15000
02	1890000	12000
03	1260000	11000
04	1360000	10000
05	400000	9000
06	200000	8000

- You are required to: i) Calculate Discounted Payback Period and Net Present Value.
 ii) Advise the company about buying Machine Q based on Discounted Pay Back period and Net Present Value. The ideal payback period is 5 years.

Q.2 a) Prepare a vertical statement showing trend analysis of the following income

Statement.

(04 Marks)

Particulars	2019 (Rs.)	2020 (Rs.)	2021 (Rs.)	2022 (Rs.)
Sales	50,00,000	60,00,000	75,00,000	86,00,000
(-) Cost of sales	<u>20,00,000</u>	<u>30,00,000</u>	<u>40,00,000</u>	<u>50,00,000</u>
Gross Margin	30,00,000	30,00,000	35,00,000	36,00,000
Management Expenses	300,000	400,000	500,000	600,000
Marketing Expenses	600,000	700,000	800,000	900,000
Finance Cost	300,000	300,000	400,000	400,000
Depreciation	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Total Expenses	13,00,000	15,00,000	1800,000	20,00,000
Net Profit Before Tax	1700,000	1500,000	1700,000	16,00,000
(-) Income Tax	595000	525000	595000	560000
Net Profit After Tax	1105000	975000	1105000	10,40,000

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

Profit available to equity shareholders is Rs. 1800,000.

Number of equity shares is 60000. Market Price per equity share is Rs.50. **(02 Marks)**

Q. 3.a) A 6-year bond with 10% coupon rate and Rs. 1000 Face value, has yield to maturity of 8% p.a. Assume annual coupon payment. Calculate Value of the Bond. Also state whether it is overvalued or undervalued if its market price is Rs.1400. **(02 Marks)**

Q. 3.b) The expected rate of dividend is 16%, Normal rate of return is 24 %, 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.75 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 40%.

Sources of Funds	Amount (Rs.)	Cost of Debt Before Tax (%)
Debt	1600000	10
Preference Share Capital	800000	11
Equity Share Capital (Face value Rs. 100 per share)	1200000	15
Retained Earning	400000	14

Calculate Weighted Average Cost of capital:

a) According to book value

b) According to market value if market price per equity share

is Rs. 120.

(05 Marks)

Q. 4. b) What is capital market? State its role in the economy.

(02 Marks)
