

**M.B.A. Semester—IV Examination**  
**FINANCIAL DECISION ANALYSIS**  
**Paper—MBA/4101/CGF**

Time : Three Hours]

[Maximum Marks : 70

- Note :—**(1) Attempt **ALL** questions.  
 (2) Figures to the right indicate full marks.  
 (3) Annuity tables and scientific calculator is permitted.

**SECTION—A**

1. (a) "Risk analysis is the essential feature of investment decision making process." What are the major risk factors ? 14

**OR**

- (b) What is cost-volume-profit analysis ? Why this study is important for management decision ? Explain. 14

**SECTION—B**

2. (a) Explain various advantages and disadvantages of Leasing. 7  
 (b) Per tax expected rate of return of ABC Pvt. Company is 12% for 5 years. The annual lease rental would be stepped at 10%. Compute the lease rental per Rs. 500. 7

**OR**

- (c) Explain in what situations the replacement of an Asset takes place. 7  
 (d) A firm is using machine of which purchase price is Rs. 13,000 and Installation charges Rs. 3,600. Machine has scrap value of Rs. 1,600; because company has monopoly of this type of work the maintenance cost of various years is given in following table :  

Year :	1	2	3	4	5	6	7	8	9
Cost :	250	750	1000	1500	2100	2900	4000	4800	6000

Determine the optimum replacement time for the machine. 7  
 3. (a) What are the reasons of Business failure ? Discuss with suitable examples. 7  
 (b) Sun Ltd is considering the proposal to acquire Moon Ltd. and their financial information is given below :

Particulars	Sun Ltd.	Moon Ltd.
Number of Equity Shares	10,00,000	6,00,000
Market Price per share (Rs.)	30	18
Market Capitalization (Rs.)	3,00,00,000	1,08,00,000

Sun Ltd. intend to pay Rs. 1,40,00,000 in cash for Moon Ltd. If Moon Ltd. market price reflects only its value as a separate entity. Calculate the cost of merger :

- (i) When merger is financed by cash.  
 (ii) When merger is financed by stock. 7

**OR**

- (c) Discuss the various factors that determine capital structure decision. 7
- (d) Glamour Ltd earned a profit of Rs. 20 lakhs before providing for interest and tax. The Company's capital structure is as follows :
- (i) 4,00,000 equity shares of Rs. 10 each and its market capitalization rate is 16%.
- (ii) 25,000 14% redeemable debentures of Rs. 150 each. You are required to calculate the value of firm under Net Income approach and overall cost of Capital. 7

#### SECTION—C

4. (a) Explain various forms of Dividends. 7
- (b) Discuss the various factors determining dividend policy decision. 7

#### OR

- (c) Explain advantages and disadvantages of Gordon Growth model. 7
- (d) Discuss advantages and disadvantages of stability of dividends. 7

#### SECTION—D

5. The Balance Sheets of X Ltd. as on 31st March 2017 and 31st March 2018 were as follows :

#### Balance Sheets

Liabilities	2017 (Rs.)	2018 (Rs.)	Assets	2017 (Rs.)	2018 (Rs.)
Share Capital	5,00,000	7,00,000	Land & Building	80,000	1,20,000
P & L A/c	1,00,000	1,60,000	P & Machinery	5,00,000	8,00,000
General Reserve	50,000	70,000	Stock	1,00,000	75,000
Sundry Creditors	1,63,000	2,00,000	S. Debtors	1,40,000	1,50,000
Bills Payable	30,000	40,000	Prepaid Expense	14,000	12,000
Outstanding Expenses	7,000	5,000	Cash at Bank	16,000	18,000
	8,50,000	11,75,000		8,50,000	11,75,000

#### Additional Information :

- (a) Rs. 50,000 depreciation has been charged to plant and machinery during the year 2018.
- (b) A piece of machinery was sold for Rs. 8,000 during 2018. It had cost Rs. 12,000, depreciation of Rs. 7,000 has been provided on it.

Prepare cash flow statement from the above details. 14