

FM - II

FMB 03

02.11.2007 (Finance)

ROLL NO

TOTAL NO OF QUESTIONS 8

TOTAL NO OF PRINTED PAGES 2

DURATION(HRS) 3 Hours.

MAXIMUM MARKS : 50

Note.

- 1) Attempt any Five Question Each Question Carry 10 Marks

Q1

ABC Ltd. Wishes to borrow Rs. 100 crores for 5 years. It can borrow @ 14 % fixed or LIBOR + 1.25 % floating rate. There is another company Small Ltd. Which also requires the same amount but because of lower credit rating can borrow either @ 15.75 % fixed or LIBOR + 2 % floating. However, because of existing debt portfolio, ABC wants to borrow at floating rate and Small Ltd. Wants to borrow at fixed rate. If the savings is to be shared equally, is there a swap opportunity? Also find out the cash flows in monetary amounts.

Q.2

The following is the balance sheet of A Ltd. :

Liabilities	Amount	Asset	Amount
13 % Pref. share capital	Rs. 1,00,000	Fixed Assets	Rs. 19,00,000
Equity shares (Rs. 10 each)	20,00,000	Investments	1,00,000
Retained earnings	4,00,000	Stock	5,00,000
12 % Debentures	3,00,000	Debtors	4,00,000
Current liabilities	2,00,000	Bank	1,00,000
	30,00,000		30,00,000

X.Ltd. agreed to take over A Ltd. for which the purchase consideration was agreed as follows :

- Rs. 3,30,000 in 13 % Debentures of X Ltd. for redeeming 12 % Debentures of A Ltd.
- Rs. 1,00,000 in 12 % Convertible Preference shares for the Preference shares of A Ltd.
- 1,50,000 Equity Shares of X Ltd. at the market price of Rs 15 each.
- X Ltd. to meet acquisition cost of Rs. 30,000.
- The break-up figure of eventual disposition by X Ltd. of the un-required current assets and current liabilities of A Ltd is as follows : Investment Rs. 1,25,000: Debtors Rs. 3,50,000: Inventories Rs. 4,25,000: and Current liabilities Rs. 1,90,000.

A Ltd. is expected to generate operating cash flows (after tax) of Rs. 7,00,000 per annum for 6 years and that the fixed assets of A Ltd. are expected to fetch Rs. 3,00,000 at the end of 6 years. Evaluate the proposal given that the cost of capital of X Ltd. is 15%.

Q.3

Computer Ltd. Has shortlisted Calculator Ltd. For merger. Though there is no immediate benefit, however, it is expected that in the long run, the synergies would be available. Following information is available in respect of these companies :

	Computer Ltd	Calculator Ltd.
No.of Shares	1,00,000	10,000
EPS	Rs. 20	Rs. 20
Market Price	Rs. 250	Rs. 100

Computer Ltd. is to offer shares in exchange of shares of Calculator Ltd. and no cash transaction will take place. The swap ratio is not yet finalized, however, it may be offered on the basis of market price, total earnings, PE ratio or . 5: 1. Which swap ratio is most favourable from the point of respective company. Also find out EPS of the merged entity under each of swap ratio.

Q.4(a)

The shares of Yellow Pages Ltd. Are being traded at Rs. 250 on the BSE. Its futures for 1 month, 2 months and 3 months are also available on the BSE. If the risk free rate is 12 % p.a. and no dividends are expected during this period, what should be equilibrium price of these futures?

(b)

An investor buys a NIFTY Futures contract for Rs. 2,80,000 (lot size 200 futures). On the settlement date the NIFTY closes at 1,378. Find out his profit or loss, if he pays Rs.1,000 as brokerage. What would be position, if he has sold the futures contract?

Q.5

Discuss the followings With reference to Mutual Funds

1. Debt Instruments
2. Hybrid Instruments
3. Growth Instruments

Q.6

Discuss with reference to Money Market

1. Call/Notice Money
2. Certificate of Deposit
3. Treasury Bills

Q.7

Discuss the Derivatives a together with characteristics & role of Derivatives. Discuss Forward Contracts ,how they differ from Future Contracts.

Q.8

Discuss any three Banking or E banking Products.