

Q. 3. Write Short notes on (Any Three) (15)

1. Responsibilities of the Chief Financial Officer
2. Ratio Analysis
3. Retained Earning
4. Optimal payout ratio
5. Value Maximization

Q. 4. Answer in detail (Any Two) (20)

1. Explain what capital budgeting is. What role does it play in a private limited company?
2. What is a financial strategy. Describe the elements of a sound financial strategy
3. Describe the idea of working capital. What elements must be taken into account while calculating working capital?
4. Elaborate the many funding options available to a business. How is the cost of capital calculated?

Q. 5. ABC Enterprises, a global leader in the consumer goods industry, is considering launching a new product line. To evaluate the project's feasibility, the company must determine its cost of capital. You are an MBA student interning in the finance department and have been tasked with performing this analysis. (15)

Key Information:

1. ABC Enterprises has a capital structure composed of 50% debt and 50% equity.
2. The company's current cost of debt is 6%, and the corporate tax rate is 25%.
3. The beta of the company's stock is 1.1, the risk-free rate is 4%, and the market risk premium is 5%.
4. The company's dividend per share is Rs.3.00, and the current stock price is Rs.60.

Questions:

- a. Calculate the after-tax cost of debt for ABC Enterprises.
- b. Using the Capital Asset Pricing Model (CAPM), compute the cost of equity.
- c. Determine the weighted average cost of capital (WACC) for ABC Enterprises.