

**OPEN BOOK EXAMINATION****342****Roll No.....****Time allowed : 3 hours****Maximum marks : 100****Total number of questions : 6****Total number of printed pages : 4****NOTE : Answer ALL Questions.****1. The following is the Balance Sheet as at 31st March 2017 of RKD Company Ltd. :**

<b>Items</b>	<b>₹</b>	<b>₹</b>
10,000 equity shares of ₹ 100 each fully paid up	10,00,000	
25,000 11% cum preference shares of ₹ 10 each fully paid up	2,50,000	12,50,000
Reserves and surplus		25,00,000
Secured loans		20,00,000
Unsecured loans		12,00,000
Trade creditors		18,00,000
Outstanding expenses		7,50,000
Total liabilities		95,00,000
Fixed assets		55,00,000
Current assets		37,00,000
Advances and deposits		3,00,000
Total assets		95,00,000

The company plans to manufacture a new product in line with its current production, the capital cost of which is estimated to be ₹ 25,00,000. The company desires to finance a new project to the extent of ₹ 16 lakhs by issue of equity shares at a premium of ₹ 100 per share or by issue of 12% debentures and the balance to be raised from internal sources.

Additional information made available to you are :

- (a) Rate of dividends declared in the past 5 years i.e. year ended 31st March 2017, 31st March 2016, 31st March 2015, 31st March 2014, 31st March 2013 were 24%, 24%, 20%, 20% and 18% respectively.

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- (b) Normal earning capacity (net of tax) of the business is 10%.
- (c) Turnover in the last three years *i.e.* 31-03-2017, 31-03-2016 and 31-03-2015 was ₹ 80 lakh, 60 lakh and 50 lakh respectively.
- (d) Anticipated additional sales from the new project—₹ 30 lakh annually.
- (e) Net profit before tax from the existing business which was 10% in the last three years is expected to increase to 12% on account of new product sales.
- (f) Income-Tax rate is 35%.
- (g) The trend of market price of the equity share of company quoted on the Stock Exchange was :

Year	High (₹)	Low (₹)
2016-17	300	190
2015-16	250	180
2014-15	240	180

*You are required to examine the following :*

- (i) Current EPS and debt equity ratio for the year ended 31-03-2017.  
(12 marks)
- (ii) Expected EPS and debt equity ratio if ₹ 16,00,000 financed by issue of 8,000 new equity shares of ₹ 100 each at premium of ₹ 100 each.  
(8 marks)
- (iii) Expected EPS and debt equity ratio if ₹ 16 lakh financed by issue of 12% debentures at par.  
(10 marks)

*Now Please explain :*

- (a) Expected market value of share in above (i) to (iii) situations.  
(10 marks)

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(b) Which company's proposal is justified ? Do you have any suggestions to offer in this regard.

(10 marks)

2. (a) AVVAIYAR Company limited, an unlisted company has to raise capital at New York. Whether this AVVAIYAR Company limited is allowed to raise capital at New York. If yes, list out the conditions to be fulfilled for raising capital at New York. If No, Please state the reasons for incapacity to raise capital at New York.

(10 marks )

(b) PAARI VALLAL of India, wants to update the SEBI regulations 2015 with respect to regulations on WEBSITE for listed entities which has listed its specified securities.

(10 marks)

(c) Describe the structure of Financial Markets of India. What legislative measures have strengthened its financial system ?

(10 marks)

3. 'Pledge' and 'Hypothecation' both the word are very common in the grass root business culture and taken as same method/instrument for obtaining a loan from Bank/Financial Institution/NBFC/ Micro Finance Institutions :

- Do you agree completely with this statement ?
- If not, what are the basic differences ?
- Which instruments is more favourable to the money-lender ?

(5 marks)

4. What are the steps involved in Post-issue Management ?

(5 marks)

5. What are the conditions to be fulfilled by the company for issue of depository receipts ?

(5 marks)

6. A highly qualified and diversified male person aged 55 years old holds Independent Directorship in 9 (Nine) public companies and out of them one is delist from the stock exchange. All directorships are not more than 2 years.

The Director has technical background and asked you as a “Company Secretary in Practice” about holding of Independent Directorship and wants your opinion that what is the best course of action to remain clean in the eyes of law ?

The Director has a valid DIN (Director Identification Number). Prepare a short advisory/opinion to the Independent Director, on his present directorship.

Make assumptions if necessary.

(5 marks)

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