

Q1. HCL Company's finance manager has decided to retain its entire profit to meet financial requirements for its growth. Name the type of decision involved.

Q2. Tata Sons has a debt-equity ratio of 4:1 and Bajaj has a 1:1 debt-equity ratio. Name the advantage Tata Sons may have over Bajaj.

Q3. A company has equity capital of Rs. 10 lac (1 Lac equity shares of Rs. 10 each). Its earnings before interest and taxes is Rs. 1,50,000. The company needs Rs. 5 Lacs for expansion of business. The prevailing tax rate is 30%. It has decided to go for debt funds which are available in the market @ 7% p.a.

Should the company proceed with its plans? Give reasons.

Q4. "Ranbaxy Ltd. has been earning handsome profits since last 15 years. Company enjoys fair goodwill in the market, so company can easily arrange debt as well as equity from the market, whenever needed. Therefore, company decided to declare dividend with a hike of 15% from last year."

Which two components affecting dividend decision have been highlighted in the above paragraph.

Q5. 'S' Ltd is manufacturing steel at its plant in India. It is enjoying a buoyant demand for its products as economic growth is about 7 to 8% and the demand for steel is growing. It is planning to set up a new steel plant to cash on the increased demand it is facing. It is estimated that it will require about Rs. 5,000 crores to set up and about Rs. 500 crores working capital to start the new plant.

a) What is the importance of having a financial plan for this company? Give an imaginary plant to support your answer.

Q6. Tata International Ltd. earned a net profit of Rs. 50 crores. Ankit, the finance manager of Tata International Ltd. wants to decide how to appropriate these profits. Identify the decision that Ankit will have to take and also discuss any five factors which help him in taking this decision.

