



**Question 1 (December 2018)**

You have been provided the following particulars pertaining to the three companies A LTD., B LTD., and D LTD., operating identical business:

Company	A Ltd	B Ltd	D Ltd
EBIT (Rs.)	15,00,000	15,00,000	15,00,000
No. of Shares	3,00,000	2,50,000	2,00,000
12% debentures (Rs.)		9,00,000	10,00,000

Every company expects 12% Return on investment (ROI) Required:

Find out the value of the Companies A LTD., B LTD., and D LTD., and value of their equity shares as per the Modigliani Miller (MM) approach.

**Question 2 (December 2022)**

TCP Ltd. needs to raise ₹10,00,000 for the construction of a new plant and provides you with the following information:

- (i) Financing Plan: A-40% Equity and Balance through 10% Debt Financing  
 Plan: B-30% Equity, 60% through 10% Debt and Balance through 15% Preference Shares.
- (ii) Equity Shares of the face value of ₹10 each will be issued at a premium of 110%. Flotation cost 1 per share. 15% Preference Shares of the face value of 100 each will be issued at a premium of 110%. Flotation costs 10 per share.
- (iii) Expected Capital Turnover Ratio 1, Expected Sales to Variable Cost Ratio 156.25%, Fixed Costs 60,000. Tax Rate: 25%.

Required: Calculate the Indifference Point between A and B plans and suggest which plan has more financial risk.

**Question 3 (June 2023 s16)**

Funds required 10,00,000, Financial Plan I: 40% Equity Shares of 10 each to be issued at Rs. 20, Balance 10% Debt, Financial Plan II: 40% Equity Shares of 10 each to be issued at Rs. 20, 50% in 10% Debt and Balance in 15% Preference Shares. Tax Rate: 25%. Calculate the Indifference Point and Financial Break Even Point.

**Question 4 (June 2023 s22)**

Olio Ltd. needs to raise 10,00,000 for the construction of a new plant and provides you the following information:

Financing Plan A	40% Equity and Balance in 10% Debt
Financing Plan B	30% Equity, 60% in 10% Debt and Balance in 15% Pref. Shares.

- (A) Equity Shares of the face value of 10 each will be issued at a premium of 110%. Flotation cost 1 per share, 15% Pref. Shares of a face value of 100 each will be issued at a premium of 110%. Flotation cost 10 per share,
- (B) Expected Capital Turnover Ratio 1, Expected Sales to Variable Cost Ratio 156.25%, Fixed Cost 60,000. Tax Rate: 25%.



Required: Calculate the Indifference point and Financial Break Even Point.

**Question 5 (December 2023 s22)**

Company L and company U are in the same risk class and identical in all respects except that L uses debt while U does not. Levered company has 18,00,000 debentures, carrying 10% rate of interest. Both the companies earn 20% before interest and taxes on their total assets of 30,00,000. Assume perfect capital market, tax rate of 50% and capitalization rate of 15% for an all-equity company.

Compute the value of both the companies using NI approach and NOI approach and overall Cost of Capital of Company L using NI approach.