CASE STUDIES

FINANCIAL MANAGEMENT

Case Study Number	1
Level of Teaching	L3
Program Outcomes Covered	PO1, PO2,P05, P06,P07
Course Outcome Covered	C206.2

Esteemed limited is considering to start a new project. It has two exclusively mutual proposal.

Proposal I requires an investment of Rs.20,00,000 and its scrap value is 80000 after 5 years. The return expected from proposal I during the 5 years are Rs.1,60,000, Rs.2,40,000, Rs.2,80,000, Rs.2,00,000 and Rs.80,000.

Proposal II requires an Investment of Rs.15,00,000 and its scrap value is Rs.60,000 after 5 years. The return expected from Proposal Ii during the 5 years are Rs.1,20,000, Rs.2,00,000, Rs.1,60,000, Rs.1,40,000 and Rs.1,00,000.

- If you are the financial manager of Esteemed Limited which project you would choos ? Why.
- If pay back method is used discounted pay back method is better or not? Substantiate

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Case Study Number	2
Level of Teaching	L3
Program Outcomes Covered	PO1, PO2,P05, P06,P07
Course Outcome Covered	C206.4

A company has 1,00,000 equity shares of Rs. 10 each, plans to increase its capital by another 50 lakhs. It has four options to raise this 50 lakhs, issue of 2 lakh equity shares of Rs. 10 each and 2 lakh 10% preference shares of Rs. 10 each and 1 lakh debenture of Rs.10 each. And second option was to issue 1 lakh equity shares of Rs. 10 each, 2 lakh 10% preference shares of Rs. 10 each and the remaining through 12% debts.

Third Option to raise the capital was through issue of 2 lakh equity shares of Rs.10 each, 1 lakh 10% preference shares of Rs.10 each and the remaining through 12% debts. Final option to raise the capital fully by issue of 10% Debentures.

- Which option should the company choose if the EBIT is 7,50,000.
- Give reason for choosing the option.

Case Study Number	3
Level of Teaching	L3
Program Outcomes Covered	PO1, PO2,P05, P06,P07
Course Outcome Covered	C206.3

Sun Ltd intends to issue new equity shares. It's present equity shares are being sold in the market at Rs.350 per share. The company's past record regarding payment of dividends is as follows:

2014: 12.70%; 2015: 13.45%; 2016: 14.25%; 2017: 15.11%; 2018: 16.03%.

The floatation costs are estimated at 5% of the current selling price of the shares.

- What will be the growth rate in dividends?
- What will be the cost of funds raised by issue of equity shares assuming that the growth rate is calculated forever as above?
- What will be the cost of new equity shares?

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