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Total No. of Pages : 03

Total No. of Questions : 07

B.Com. (2011 & Onwards) (Sem.-4)

BUSINESS FINANCE

Subject Code : BCOP-404

Paper ID : [B1143]

Time : 3 Hrs.

Max. Marks : 60

INSTRUCTION TO CANDIDATES :

1. SECTION-A is COMPULSORY consisting of TEN questions carrying TWO marks each.
2. SECTION-B contains SIX questions carrying TEN marks each and a student has to attempt any FOUR questions.

SECTION A**1. Answer briefly :**

- a. Why does money have time value?
 - b. What is the role of chief Financial officer?
 - c. Profit maximization vs. wealth maximization.
 - d. Define net working capital.
 - e. Define Lease Financing.
 - f. What is Capital Gearing?
 - g. Enlist various factors that influence the dividend policy of a firm..
 - h. What is VED analysis?
 - i. Give objectives of inventory management.
 - j. A Project costs Rs. 1,00,000 and yields an annual cash inflow of Rs. 20,000 for 8 years. Calculate its Payback period.
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SECTION B

2. Briefly discuss the various sources of long term sources of finance.
3. What is Finance function? What are its objectives?
4. Give critical appraisal of the traditional approach and Modigliani Millers approach to the capital structure.
5. What is meant by Inventory Management? Why is it essential to the business concern?
6. The Performa cost sheet of a company provides the following particulars :

<u>Elements of cost</u>	Cost per unit (Rs.)
Raw material	52.00
Direct labour	19.50
Overheads	<u>39.00</u>
Total cost	110.50
Profit	<u>19.50</u>
Selling price	<u>130.00</u>

The following further particulars are available :

Average Raw material in stock	: one month
Average material in-progress	: half a month
Credit allowed by suppliers	: one month
Credit allowed to debtors	: two months
Lag in payment of wages	: one and a half weeks
Lag in payment of overhead expenses	: one month

1/4th of the output is sold in cash. Cash in hand and at bank is expected to be Rs. 1,20,000.

You are required to prepare a statement showing working capital needed to finance a level of activity of 70,000 units of production. You may assume that production is carried out evenly throughout the year, wages and overheads accrue similarly and time period of 4 weeks is equivalent to one month.

7. XYZ Ltd. is considering two projects, only one of which can be accepted. The data in respect of these two are given below:

	PV of Re. 1 @10%	Project I	Project II
Cash outlay at t=0		Rs. (50,000)	Rs. (50,000)
Net cash inflows :			
t=1	.909	25,000	10,000
t=2	.826	15,000	12,000
t=3	.751	10,000	18,000
t=4	.683	nil	25,000
t=5	.621	12,000	8,000
t=6	.564	6,000	4,000

Calculate NPV at 10% discount factor. Suggest which project should be selected?