Roll No. Total No. of Pages : 02

Total No. of Questions : 07

B.Com.(P) (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. Write briefly :

a) Give objective of finance function.

b) What is Lease financing?

c) What is venture capital financing?

d) What is composite cost of capital?

e) What is optimal capital structure?

f) What is IRR?

g) What is Scrip Dividend?

h) Define Maximum Stock Level.

i) Describe the concept of annuity.

j) What is financial planning?

SECTION-B

2. Describe the scope of finance function and relation with other business functions. How Shareholders' Wealth Maximization is different from Profit Maximization?

3. What are the various sources of finance available to Indian businessmen for raising funds? Explain.

4. What is working capital? Discuss the factors determining working capital requirements in an organization.

5. SK Ltd. has the capital structure as under :

20,000 Equity shares of Rs. 100 each	Rs. 20,00,000
6% Preference Shares of Rs. 100 each	Rs. 5,00,000
8% Debentures of Rs. 100 each	Rs. 15,00,000

The market price of Equity share is Rs. 200. It is expected that the company will pay a current dividend of 20% which would grow at 7% for ever. The tax rate may be assumed to be 50%. You are required to calculate :

a. Weighted average cost of capital based on existing capital structure.

b. The new weighted cost of capital if the company raises an additional Rs.10 lakhs debt by issuing 10% debentures. This would result in increasing the dividend rate to 30% and leave the growth rate unchanged but the price of share will fall to Rs.150 per share.

6. What is inventory management? Explain various techniques of inventory management.

7. X Ltd. is considering the investment in a project that costs Rs. 2,00,000. The project has an expected life of 5 years and zero salvage value. The company uses straight line method of depreciation. The tax rate applicable is 50%. Earning before depreciation & taxes from the project are :

Year	**EBIT**	**PV Factor @ 10%**
I	70,000	0.909
II	80,000	0.826
III	1,20,000	0.751
IV	90,000	0.683
V	60,000	0.621

Calculate the net present value @ 10% and advise the company.