

[A-3]

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SARDAR PATEL UNIVERSITY
T. Y. B. Com. (V Semester) Examination
2016
Tuesday, 18th October
10.00 am - 12.00 pm
UB05CCOM06/15 - Business Finance

Total Marks : 60

Note : Figures to the right indicate marks.

- Q.1 Explain the meaning of 'Leverage'. Discuss the importance of Leverage in Financial decision making. [15]

OR

- Q.1 The balance sheet of the 'SHIVAM' Co. Ltd. as on 30-12-15 is as follows: [15]

Equity share Capital Rs.10 per share	100000	Net Fixed Assets	250000
12% Debenture	120000	Current Assets	80000
Reserve + Surplus	40000		
Current Liabilities	70000		
	330000		330000

During the year 2015 Company sale is Rs.800000. Fixed Expenses are Rs.160000 while variable cost is 45% of sale. Income tax rate is 50%. Calculate for the Company all the three types of Leverages.

- Q.2 Write short notes on: [15]
- Credit Policy variables
 - A B C Analysis
 - Motives for Holding Cash

OR

- Q.2 Write short notes on: [15]
- Cash Budget
 - E. O. Q.
 - Levels of Materials

- Q.3 What is meant by Working Capital. Explain the factors determining Working Capital requirement. [15]

OR

- Q.3 Calculate the operating cycle and the working capital requirements from the following figures: [15]

Particulars	1-1-15 (Rs.)	31-12-15 (Rs.)
Real Material	80000	120000
Work-In-Progress	20000	60000
Finished goods	60000	20000
Debtors	40000	40000
Wages and Manufacturing Expenses	----	200000
Distribution and other Expenses	----	40000
Purchase of Material	----	400000
Total Sales	----	1000000

- The Company obtains a Credit for 60 days from its Suppliers.
- All goods were sold for credit.

Q.4

[15]

- (a) Define cost of capital. Explain its importance in Financial Management.
- (b) Discuss the different concepts of Cost of Capital.

OR

Q.4 The balance sheet of 'Krishna' Ltd. as on 31-12-2015 as under.

[15]

	Rs.		Rs.
Equity Share Capital (Rs.10 each)	70000	Fixed Assets at cost	200000
Reserve	30000	Less - depreciation	- 80000
10% Preference share capital (Rs.100 each)	20000	Net Fixed Assets	120000
14% Debenture (Rs.100 each)	80000	Current Assets	110000
Current Liabilities	30000		
	230000		230000

Additional Information:

- (1) The cost of Equity Capital is 16% and cost of Reserve is 1%. Less than the cost of Equity Capital.
- (2) The applicable tax rate is 60%
- (3) The Average market price are as under :
Equity Share - 16, Preference Share-70, Debentures-80
Calculate :
- (1) Weighted Average Cost of Capital under the Book Value Weights and Market Value Weights.

