SHRIMATHI DEVKUNVAR NANALAL BHATT VAISHNAV COLLEGE FOR WOMEN
(AUTONOMOUS)
(Affiliated to the University of Madras and Re-accredited with 'A+' Grade by NAAC)
Chromepet, Chennai - 600 044.
M.Com. A&F- END SEMESTER EXAMINATIONS - NOV'2024
SEMESTER - III
23PAFCT3008 - Business Finance

Total Duration : 2 Hrs. 30 Mins.   Total Marks : 60

Section B

Answer any **SIX** questions $(6 \times 5 = 30$ Marks$)$

1. Explain the rationale of the time value of money.

2. Discuss the advantages and disadvantages of leasing from the lessee's perspective.

3. The following data relates to Aravind Ltd., which is engaged in retailing. Estimate its working capital requirements.
   Sales estimated (annual) – Rs.18,00,000
   Percentage of net profit to cost of sales – 25%
   Average credit allowed to debtors – 20 days
   Average credit allowed by creditors – 40 days
   Average stock earned (based on sales) – 1 ½ months
   Add 5% to allow for contingencies.

4. G Ltd., produces a product which has a monthly demand of 4,000 units. The product requires a component of X which is purchased at Rs.20. for every finished product, one unit of component is required. The ordering cost is Rs.120 per order and the holding cost is 10% per annum. You are required to calculate
   (i) Economic order quantity and(ii) if the minimum lot size to be supplied is 4,000 units, identify the extra cost, the company has to incur.

5. Describe the methods to analyze the risk associated with a single asset.

6. Differentiate Financial lease from Operating lease.

7. From the following information relating to Cheran Ltd., calculate (a) Operating cycle (b) No. of operating cycles in a year assuming a 360 days (c) Average working capital required, if annual cash operating expenses are Rs.73,00,000.
   Stock holding:
   Raw materials – 45 days
   Work-in-process – 20 days
   Finished goods – 25 days
   Average debt collection period – 50 days
   Average payment period – 40 days.

8. A company has accounts receivable of Rs.1,50,000 and total sales of Rs. 10,95,000 for the year. Calculate Average daily sales and debt collection period.

Section C

I - Answer any **TWO** questions $(2 \times 10 = 20$ Marks$)$

9. Nandhini India Ltd., Creating a sinking fund to redeem its bonds of Rs.30,00,000 issued on 10.10.2010 which are maturing on 09.10.2021. The first annual payment to the fund will be made on 10.10.2010. The company will make equal payments and expects the fund to yield 16% per year. Find out the amount of sinking fund payment.

10. Elaborate the concept of 'Risk-Return Trade-off ' and explain the general patterns of risk and return.

11. Briefly explain the various forms of start-up finance available with its advantages.

12. From the following particulars of X marketing Ltd. Determine the working capital requirements.
    Operating cycle components :
    Raw materials– 40 days
    Work-in-progress – 30 days
    Finished goods – 10 days
    Debtors – 25 days
    Creditors – 50 days
    Annual sales are Rs.80,00,000; cost structure as a percentage of the sale price is – Materials 60%; Labour – 20%; Overheads – 10%; and Profit – 10%. 20% of overheads constitute depreciation. Cash balance desired to be held Rs.2,00,000

II - Compulsory question $(1 \times 10 = 10$ Marks$)$

13. XYZ Corporation is considering relaxing its present credit policy and is in the process of evaluating two alternative policies. Currently, the firm has annual credit sales of Rs.50 lakh and an accounts receivable turn over ratio of 4 times a year. The current level of loss due to bad debts is Rs.1,50,000. The firm is required to give a return of 25% on the investment in new accounts receivable. The company's variable costs are 70% of the selling price. Given the following information, propose which is a better option.

Particulars	Present Policy	Policy option I	Policy option II
Annual credit sales	Rs.50,00,000	Rs.60,00,000	Rs.67,50,000
Accounts receivable turn over ratio	4	3	2.4
Bad debt losses	1,50,000	3,00,000	4,50,000

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