

(6 pages)

NOVEMBER 2023

66460/411C1A/
412C1A/413C1A/
414C1A

Time : Three hours

Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer any TEN questions.

1. What is business finance?
2. How is inflation related to the time value of money?
3. Write the formula Rule 72 of doubling period.
4. List out any two different types of Portfolios.
5. Define cross Hedging.
6. What is an angel investor?
7. Identify the process that leads to an equity investment by an angel investor.
8. Give two reasons for treating idle cash as an evil.
9. Write any two costs associated with accounts receivables.
10. What is pay back period method?

11. Define the term IRR.

12. List out any two features of capital budgeting.

PART B — (5 × 5 = 25 marks)

Answer any FIVE questions.

13. Calculate the future value of the following series of payments at the end of 4th year.
Rate of interest is 9%
P1 = Rs. 1,500 at the end of first year
P2 = Rs. 3,000 at the end of second year
P3 = Rs. 4,500 at the end of third year
P4 = Rs. 6,000 at the end of fourth year.
14. Distinguish between aggressive and conservative Portfolio.
15. Evaluate the potential advantages and disadvantages of bootstrapping a new venture.
16. Examine the relevance of an operating lease.

2
66460/411C1A/
412C1A/413C1A/
414C1A

17. From the following you are required to calculate

(a) Debtor's turnover

(b) Average age of debtors.

	2005 Rs.	2004 Rs.
Net Sales	18,00,000	15,00,000
Debtors at the beginning	1,72,000	1,60,000
Debtors at the end	2,34,000	1,72,000

PART C — (4 × 10 = 40 marks)

Answer any FOUR questions.

20. Calculate the doubling period using the rule of 69, if rate of interest is
(a) 6%
(b) 9%
(c) 12%.
21. Compare and contrast between future market and forward market.
22. Determine the various types of external equity financing.
23. Critically examine the income tax aspects of leasing.
24. Prepare a cash budget for the months of May, June and July 2021 on the basis of the following information:

3
66460/411C1A/
412C1A/413C1A/
414C1A

4
66460/411C1A/
412C1A/413C1A/
414C1A

[P.T.O.]

I Mom → Business Finance

(a) Income and Expenditure forecasts:

Month	Credit sales Rs.	Credit purchase Rs.	Wages Rs.	Manufacturing Exp. Rs.	Off. Exp. Rs.	Selling Exp. Rs.
March	60,000	36,000	9,000	4,000	2,000	4,000
April	62,000	38,000	8,000	3,000	1,500	5,000
May	64,000	33,000	10,000	4,500	2,500	4,500
June	58,000	35,000	8,500	3,500	2,000	3,500
July	56,000	39,000	9,500	4,000	1,000	4,500
August	60,000	34,000	8,000	3,000	1,500	4,000

- (b) Cash balance on 1st May 2021 Rs. 8,000
- (c) Plant costing Rs. 16,000 is due for delivery in July; payable 10% on delivery and the balance after 3 months.
- (d) Advance tax of Rs. 8,000 each is payable in March and June.
- (e) Period of credit allowed
- (i) by suppliers - 2 months; and
- (ii) to customers - 1 month.
- (f) Lag in payment of manufacturing expenses - ½ month
- (g) Lag in payment of office and selling expenses - 1 month.

5 66460/411C1A/
412C1A/413C1A/
414C1A

25. Initial investment Rs. 60,000; Life of the asset 4 years.

Estimated net annual cash flows:

Year	I year	II year	III year	IV year
Rs.	15,000	20,000	20,000	30,000
Rate of Return	The following table given the Present Value of Re. 1 due in 'n' number of years.			
Year	P.V Factor @ 10%	P.V Factor @ 12%	P.V Factor @ 14%	P.V Factor @ 14%
1	0.909	0.892	0.877	0.869
2	0.826	0.797	0.769	0.756
3	0.751	0.711	0.674	0.657
4	0.683	0.635	0.592	0.571

6 66460/411C1A/
412C1A/413C1A/
414C1A