

22. Discuss the merits and demerits of debt financing for entrepreneurial venture.
23. Explain the term accounts receivables.
24. The annual demand for a product is 6,400 units. The unit cost is Rs.6 and inventory carrying cost per unit per annum is 25% of the average inventory value. If the cost of procurement is Rs.75 determine.

- (a) EOQ  
 (b) Number of orders per annum; and  
 (c) Time between two consecutive orders.

25. A company considering an investment proposal to install new milling controls. the project will cost Rs. 50,000. The facility has a life expectancy of 5 years and no salvage value. The company's tax rate is 55%. The firm uses straight line method of depreciation. profits before depreciation from the proposal investment are as follows:

Year	1	2	3	4	5
Profits (Rs.)	10,000	11,000	14,000	15,000	25,000

Calculate:

- (a) Pay back period  
 (b) Average rate of return  
 (c) Net present value at 10% discount rate  
 (d) Internal rate of return.

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Time : Three hours

Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer any TEN questions each in 50 words.

1. What is an annuity?
2. What do you mean by the term liquidity?
3. Give the meaning of minimum variance Portfolio.
4. Mention the importance of Portfolio management.
5. Write short note on legal aspects of leasing.
6. List out types of an angel investor.
7. Define the term inventory.
8. Write two major objectives of accounts receivables management.
9. What is the formula to calculate EOQ?
10. What is an MNC?
11. Write two advantages of NPV method.
12. Say about the venture capital financing.

PART B — (5 × 5 = 25 marks)

Answer any FIVE questions each in 200 words.

13. Explain the concept of time value of money
14. Alex Industries Ltd. Offers 14% interest of fixed debtors. What is the effective rate of interest if compounding is done
  - (a) Half yearly
  - (b) Quarterly and
  - (c) Monthly
15. Distinguish between unique risk and market risk.
16. Examine the relevance of an operating lease.
17. From the following information prepare a cash budget for June 2018.

Cash in hand on 1.6.2018 Rs.20,000  
Cash purchase for June 2018. Rs.1,40,000  
Cash sales for June 2018 Rs. 2,00,000  
Office expenses for June 2018 Rs. 6,000  
Interest payable in June 2018 Rs. 2,000  
Purchase of office furniture in June 2018 Rs. 5,000

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18. From the following information calculate

- (a) Debtors turnover ratio;
- (b) Average collection period.

Total sales during the year Rs. 4,20,000; cash sales during the year Rs.1,50,000; return inward Rs.20,000; debtors in beginning Rs. 55,000; debtors at the end Rs. 45,000; provision for bad debts Rs. 5,000.

19. There are two projects A and B. the cost of the project is Rs. 30,000 in each case. The cash inflows are as follows:

Year	Cash inflows	
	Project A	Project B
1	10,000	2,000
2	10,000	4,000
3	10,000	24,000

Calculate pay back period.

PART C — (4 × 10 = 40 marks)

Answer any FOUR questions each in 500 words.

20. Mr. Saravanan expects to receive Rs. 20,000 at the beginning of each year for 4 years. Calculate the present value of the annuity due assuming an interest rate is 9%.
21. Identify the relationship between risk and return as per CAPM.

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