

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 - APRIL 2025

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. Define Business Finance and Discuss its objectives.
2. Explain the relevance of the Time Value of Money in financial decision-making.
3. Analyse the advantages and limitations of an Operating Lease.
4. How do cashflow problems arise? What steps are suggested to overcome the problem?
5. Distinguish between Risk and Uncertainty.
6. Write a short note on "Hedging Currency Risk".
7. Discuss the motives for holding cash.
8. A Ltd., is engaged in the sale of footballs. Its cost per order is Rs.50 and its carrying cost is Rs.3 per unit per annum. The firm has a demand for 10,800 units per year. Calculate the order size, total orders required during a year, total carrying cost and total ordering cost for the year based on EOQ. What shall be the total cost if the firm places an order for 400 units?

Section C

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

9. Discuss the merits of lease financing compared to other methods of financing and state in brief the financial criterion on evaluation of lease versus buying decision.
10. Critically analyse the various methods of Risk Management.
11. S Ltd currently makes all sales on credit and offers no cash discount. It is considering a 2% cash discount for payment within 10 days. The firm's current average collection period is 60 days, sales are 2,00,000 units, selling price is Rs.30 per unit, variable cost per unit is Rs.20 and average cost per unit is Rs.25 at the current sales volume. It is expected that the change in credit terms will result in

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an increase in sales to 2,25,000 units and the average collection period will fall to 45 days. However, due to increased sales, the increased working capital will be Rs.1,00,000. Assuming that 50% of the total sales will be on cash discount and 20% is the required return on investment, should the proposed discount be allowed?

12. A firm borrows Rs.2,00,000 at an interest rate of 15% and the loan is to repaid in 5 equal instalments payable at the end of each of the next 5 years. Find (i) Equated Annual Instalments and (ii) Capital repaid and interest paid in the first year and the final year. PVAF (15%, 5yrs) = 3.3522

II - Compulsory question (1 × 10 = 10 Marks)

13. The board of directors of A Ltd., request you to prepare a statement showing the working capital requirements forecast for a level of activity of Rs.1,56,000 units of production. The following information is available for your calculation:

Particulars	Rs. Per Unit
Raw Materials	90
Direct Labour	40
Overheads	75
Total Cost	205
Profit	60
Selling Price	265

The Raw Materials are in stock on average for one month. Materials are in process, on average 2 weeks Finished Goods are in stock on average one month. Credit is allowed by suppliers for one month. Time lag in payment from debtors 2 months. Lag in payment of wages 1 1/2 weeks. Lag in payment of overhead one month. 20% of the output is sold against cash. Cash in hand and Bank is expected to be Rs.60,000. It is to be assumed that production is carried on evenly throughout the year. Wages and overheads accrue similarly. Provide 10% contingencies.
