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SEAT No. _____

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SARDAR PATEL UNIVERSITY

B.Com(4 Years) (Hon.) - Sixth Semester Examination

Saturday, 1st April 2017, 02-00 P.M. TO 04-00 P.M.

Subject: Corporate Finance

Code: UB06CCOM01

Total Marks: 60

Note: Figures to the right indicate marks.

Q.1 What is cost of capital? Discuss its significance and classification. (15)

OR

Q.1 Shiv Corporation has raised capital from the following sources for new project: (15)

Sources of Capital	Book Value(Rs.)	Market Value(Rs.)	Cost of Capital (%)
Equity Share	500000	1000000	14
Preference Share	80000	75000	11
Retained Earnings	200000	---	13
Debentures	300000	275000	10

You are required to calculate weigheted average cost of capital (WACC) using :

(a) Book Value Weights &

(b)Market Value Weights.

Q.2 Give factors determining working capital requirements and explain sources of working capital finance. (15)

OR

Q.2 Estimate Net Working Capital from following information for ShivShakti Ventures. (15)

Particulars	Per Unit (Rs.)
*Raw Material	50
*Direct Labour	20

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(1)

(P.T.O.)

*Overhead(Including depreciation Rs.10)	40
*Total Cost	110
*Profit	20
*Selling Price	130

Additional Information :

Average raw material in stock is 1 month. Average material in progress is for ½ month. Credit allowed by suppliers is 1 month. Credit allowed to debtors is 1 month. Finished goods lie in the warehouse is for 1 month. Cash balance expected to be Rs.100000.

Q.3 Narrate credit policy variables and explain credit evaluation. (15)

OR

Q.3 The following information is available for A Ltd. and B Ltd. (15)

Normal Usage..350 Units each per week (A & B Ltd.)

Minimum Usage..100 Units each per week (A & B Ltd.)

Maximum Usage..600 Units each per week (A & B Ltd.)

Re-order Quantity..A Ltd..800 Units, B Ltd..550 Units.

Re-order Period.. A Ltd..6 to 8 weeks, B Ltd..4 to 6 weeks.

Calculate the following for both the companies :

(a) Re-order level (b) Minimum level (c) Maximum level (d) Safety stock level.

Q.4 (A) Discuss : Optimum capital structure. (7)

(B) Calculate DOL, DFL and DCL from following information. (8)

Particulars	Amount(Rs.)
*Sales	1050000
*Variable Cost	767000
*Fixed Cost	75000
*EBIT	208000

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*Interest	110000
*Taxes (30%)	29400
*Net Income	68600

OR

Q.4 (A) Explain implication of leverages. (7)

(B) Discuss merits and limitations of "Trading on Equity" (8)

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