

Subject : B.M. Elective-II b) Business Finance

Day : Friday

Date : 20/06/2014



Time : 02.00 P.M. TO 05.00 P.M.

Max Marks : 80 Total Pages : 2

N.B.:

- 1) Answer any **THREE** questions from Section -I.
- 2) Answer any **TWO** questions from Section -II.
- 3) All questions carry **EQUAL** marks.
- 4) Answers to both the section should be written in **SAME** answer book.

SECTION-I

- Q.1** Write in details with suitable examples on Operating and Financial Leverage.
- Q.2** What are the functions of a Finance Manager?
- Q.3** What is operating Cycle? Explain in detail any three factors which influence the need of working capital of a firm.
- Q.4** Compare Equity and Debentures as a source of a Long Term Finance.
- Q.5** Write short notes on any **THREE** of the following:
- a) Time value Money
 - b) Bank Term Loan
 - c) Current Assets
 - d) Preference Shares
 - e) Debt and Equity Balance

SECTION-II

- Q.6** A company wants to buy a machine. It provides you following information.

Machine		A	B
Initial Investment Rs.		2,00,000	2,25,000
Cash Stream			
Year	1	50,000	80,000
	2	60,000	80,000
	3	80,000	80,000
	4	80,000	60,000

Calculate for both machines

- a) Simple Pay back
 - b) Discounted Pay Back
 - c) N.P.V.
 - d) Profitability Index
- Which machine company should buy? Why
(Discounting Factors year 1- 0.95, year 2-0.90, year 3-0.85, year 4- 0.80)

P. T. O.

- Q.7** A cost break up of a product per unit is material cost Rs. 80/-, Overheads - Rs. 60/- Direct Wages Rs. 40/- , Profit B 20/- , Selling Price Rs. 200/-

Additional Information:

1. Customers are given three months credit
 2. Suppliers of materials give two months credit
 3. Wages are paid in the next month
 4. Overheads are paid in the same month.
 5. Minimum cash Balance Rs. 60,000/-
- Estimate working capital for the output of 20000 units

- Q.8** 'The Firm's capacity to sustain the risk depends on its mix of Equity and Debt'. Critically appraise the statements.

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