

Total No. of Questions—4]

[Total No. of Printed Pages—3

Seat No.	
-------------	--

[4967]-6010

**B.B.A. (Semester-VI) EXAMINATION, 2016**

**CASES IN FINANCE**

**(Specialisation-IV : Finance)**

**(2013 PATTERN)**

**Time : 2 Hours**

**Maximum Marks : 50**

**N.B. :—** (i) Q. Nos. 1 is compulsory.

(ii) Attempt any *two* from the remaining.

(iii) Figures to the right indicate full marks.

1. S.K. company has an investment opportunity in the project costing ₹ 4,00,000 with the following expected net cash inflow. You have to evaluate proposal using 10% as the cost of capital (Rate of discount) on the basis of the following and give your opinion whether to invest or not :

20

(a) Pay back period.

(b) Net present value at 10% discounting factor.

(c) Internal rate of return with the help of 10% discounting factor and 15% discounting factor.

Year	Net cash flow	PV of Re 1 @ 10%	PV of Re 1 @ 15%
1	60,000	0.909	0.870
2	65,000	0.826	0.756
3	70,000	0.751	0.658

P.T.O.

4	75,000	0.683	0.572
5	80,000	0.621	0.497
6	85,000	0.564	0.432
7	1,00,000	0.513	0.376
8	1,50,000	0.467	0.327
9	1,00,000	0.424	0.284
10	40,000	0.386	0.247

2. SSV Cements Ltd. sell its products on a gross profit of 20% on sales. The following information is extracted from its annual accounts for the current year ended on 31 March, 2006 : [15]

Sales at 3 months credit	40,00,000
Raw material	12,00,000
Wages paid Avg. time lag 15 days	9,60,000
Manufacturing exp. paid one month in arrears	12,00,000
Administrative exp. paid one month in arrears	4,80,000
Sales promotion expenses payable half year in advance.	2,00,000

The company enjoys one month credit from the suppliers of Raw materials and maintains a 2 months stock of raw materials and one half months stock of finished goods. The cash balance is maintained at ₹ 1,00,000 as a precautionary measure. Assuming a 10% margin, Find out the working capital requirements of the company.

3. The following is the capital structure of 'SP' Pvt. Ltd. [15]

Sources of Finance	Amount	Proportion	Cost of Capital
Equity share capital (4000 shares of ₹ 100 each)	4,00,000	40	14
Retained earnings (Reserve)	2,00,000	20	13
Present shares	1,00,000	10	12
Debt	3,00,000	30	9

Calculate the weighted average cost of capital of the company assuming 35% tax slab.

4. Existing capital structure of XYZ Co. Ltd. is as follows : [15]

14% Term loan from ICICI Bank	5,00,000
12% Debentures (100 each)	3,00,000
Equity share capital (20,000 shares)	2,00,000

The equity shares of the company are quoted at ₹ 225. It is expected that the company will pay current dividend of ₹ 15 per share. A growth rate of 9% was registered in the past which is expected to be maintained. The tax rate applicable may be assumed at 40%. Calculate the weighted average cost of capital (WACC).