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**[4967]-5010**

**B.B.A. (Fifth Semester) EXAMINATION, 2016**

**LONG TERM FINANCE**

**(Finance Specialisation-II)**

**(2013 PATTERN)**

**Time : Three Hours**

**Maximum Marks : 80**

- N.B. :—** (i) All questions are compulsory.  
(ii) Use of calculator is allowed.

1. (a) The following are the details of capital structure of ABC Co. Ltd. :

	Rs.
1,00,000 equity shares of Rs. 10 each	10,00,000
Retained earnings	4,00,000
12% term loan	5,20,000
9% debentures (Redeemable at par)	6,00,000
	<u>25,20,000</u>

Additional information is available as follows :

- (1) Debentures are issued at per
  - (2) Assume cost of capital of equity shares and retained earning are 12%
  - (3) Tax rate applicable for the company may be taken at 50%
- Calculate weighted average cost of capital. [10]

P.T.O.

- (b) The following data is available for XYZ Ltd. and PQR Ltd:  
(Rs. in lacs)

Company Name	Sales	Variable Cost	Fixed Cost	Interest
XYZ Ltd.	1,000	325	400	125
PQR Ltd.	850	475	200	100

Calculate operating leverage, financial leverage and combined leverage. [5]

2. Discuss in detail of IDBI. Explain the objectives and functions of IDBI. [15]

*Or*

Explain the meaning of capital structure. Discuss in detail factors affecting the capital structure. [15]

3. What do you mean by the term “capital budgeting ?” Explain in detail the purpose of capital budgeting. [15]

*Or*

Explain the need and importance of specialised private financial institutions. [15]

4. What do you mean by the term ‘Dividend policy’ ? Explain in detail the various forms of the dividend. [15]

*Or*

Define business finance. Explain in detail the need and importance of finance in business. [15]

**5.** Write short notes on any *four* :

[20]

- (1) Preference shares
- (2) Cost of capital and its importance
- (3) Trading on equity
- (4) Capital budgeting process
- (5) Determinants of dividend policy
- (6) Objectives and functions of IFCI.