



Seat No. _____

HM-19BBA406
B. B. A. (Sem. IV) Examination
April - 2023
Corporate Finance

Time : $2\frac{1}{2}$ / Total Marks : 70

- 1 Explain the term capital budgeting and discuss the importance and process of capital budgeting in detail. **20**

OR

- 1 A company is considering to invest Rs. 80,000 in a capital project. Its scrap value is zero and its economic life is of 5 years. Tax rate is 50%. This straight line method for depreciation is applicable. **20**

The cash flow before depreciation and tax is as follows : **20**

<i>Year</i>	<i>Cash Flow</i>
1	16,000
2	17,600
3	22,400
4	24,000
5	40,000

Calculate :

- (1) Net Present Value @ 10.2 %
(2) Profitability Index

Year	1	2	3	4	5
Value (for Re. 1 at 10%)	0.909	0.826	0.751	0.683	0.621

- 2 Write the meaning of working capital and discuss the factors affecting working capital in detail. **20**

OR

- 2 Discuss the operating cycle of working capital and write the importance of working capital. **20**

3 Write short note : (any two) **15**

- (a) Purpose of holding inventory.
- (b) Factors affecting size of receivables.
- (c) Advantages of cash budget.

OR

3 A company purchases 5,000 units of a component for its annual consumption. The cost of placing order is Rs. 100. Each component cost Rs. 10. The reorder period is 4 to 8 weeks. The consumption of component varies from 100 units to 450 units per week. Normal usage is 275 per week. The carrying cost of inventory is 20% p.a. **15**

Calculate :

- (1) Re-order level
- (2) Re-order quantity
- (3) Minimum stock level
- (4) Maximum stock level
- (5) Average stock level

4 Explain term dividend. Discuss types of dividend in detail. **15**

OR

4 Write down the meaning of dividend and elaborate the different factors affecting dividend policy. **15**
