**SVKM's NMIMS**

**School of Distance Learning**

Programme: PGDFM/PGDBM

Academic Year: 2010-2011
Subject: Corporate Finance

Semester IV
Course New
Marks: 70

Date: 3.7.2011
Time: 3.00 pm to 6.00 pm

**Instruction : Candidate should read carefully the instruction printed on the question paper and on the cover of the Answer book, which is provided for their use**

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NB :

1. All 4 questions to be attempted
2. All sub questions carry equal marks.
3. Answer to each new question to be started on a fresh page
4. Figures in bracket indicate full marks.

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**Q1 Attempt any 2 out of the 4** **(Marks 10)**

A).Sales 1,00,000 units at Rs. 2 per unit, variable cost Re.0.70 per unit, fixed cost Rs. 1,00,000, interest charges Rs. 3,668. Compute degree of operating leverage, financial leverage and combined leverage.

B).XYZ company buys 75,000 glass bottles per year. Price of each bottle is Re.0.90. Cost of purchase is Rs.100 per order, cost of holding one bottle per year is Re.0.20. Bank interest is 15% including a charge for taxes and insurance. Find out EOQ quantity.

C).What do you mean by Cost of Holding Inventory?

D).What do you mean by P I and DBCR?

**Q2 Write Short note on any two out of five** **(Marks 10)**

a. Types of Lease
b. GDR
c. Venture Capital
d. Mezzanine debt
e. Features of Ordinary shares

**Q3 Attempt any 3 out of 5** **(Marks 30)**

**(a)** Tejas manufacturing company Ltd is to start production on 1st January 1993 . The prime cost o a unit expected to be Rs. 40 out of which Rs.16 is for material and Rs.24 for labour. In addition variable expenses unit per unit are Rs 8 and fixed expenses per month Rs.30,000. Payment for material is to be made in the month following the purchases. One –third of sales will be for cash and rest on credit for settlement in the following month. Expenses are payable in the month in which they are incurred.

The selling price is fixed at Rs. 80 per unit. The number of unit manufactured and sold are expected to be as under :-

| | | | |
|---|---|---|---|
| January | 900 | April | 2,100 |
| February | 1,200 | May | 2,100 |
| March | 1,800 | June | 2,400 |

Draw up a statement showing requirement of cash from month, ignoring the question of stocks.

**(b)** M/s Vishal Bharat Traders wish to commence a new business at Kalyan. They provide you the following information and desire to estimate the working capital requirement for the new business.

1. the traders expect to market the product at a price which would be 25% in excess of cost of purchase.
2. The estimated sales in a year is 9,00,000.
3. The expenses are estimated at a fixed element of Rs. 1,800 per month plus variable expenses which is equal to 7.5% of the turnover.
4. The trader expect a stock turnover at 6 times in a year
5. The sales and purchase will be evenly spread out through out the year
6. Half the goods will be sold on cash and the remaining on credit of one month
7. Credit expected from supplier is 45 days.
8. The trader wish to keep cash reserves to meet two months expenses.

**(c)**What are the needs of Adequate working Capital?

**(d)** Abc Analysis as tool of inventory

**(e)**What are the factors determining Cash needs?

**Q4 A.** Explain Miller and Orr Model in detail **( Marks10)**

**B .** What do you mean by debenture? Explain different types of Debentures **( Marks10)**

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