

- (1) (a) What is "Capital Structure"? Discuss the factors to be kept in mind while determining a sound capital structure of a business unit. (07)  
 (b) What are the factors affecting working capital? (08)

OR

- (1) Explain the sources of long term finance. (15)

- (2) (a) Explain the difficulties faced in capital expenditure decisions. (07)

- (b) Discuss the five broad phases of capital budgeting. (08)

OR

- 2 (a) Discuss the sources of information to be obtained before granting credit to a party (08)  
 (b) Explain briefly functions of Management Accounting. (07)

- (3) Khazana Ltd. Desires to plan its capital structure involving investment of Rs. 1,00,000. Profit before interest and tax is expected to be 20% on capital employed. (15)  
 Tax rate is applicable @40%.

The company has following alternative plans for capital structure:

Particulars	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>
Equity Capital (Rs.100 each)	30%	60%	40%
15% Loan	70%	40%	60%
	100%	100%	100%

The company expect to have pay out ratio of 80%. Reasonable rate of dividend on share is 10%.

- (a) You are required to evaluate each alternative on basis of :  
 (1) E.P.S. (2) Dividend per share (3) Market price.  
 (b) You are required to suggest alternative which would maximize shareholder worth from different criteria.

OR

- (3) Find the following from the given data and comment: 15

- (a) Net Present Value .  
 (b) Pay Back Period.

XYZ Co. Ltd . is considering investing in anyone of the projects. The initial cash outflow is Rs. 10,00,000 and the cash inflow for the two projects are as under :

Year	Project "A"	Project "B"	Discount Factor @ 10%
1	4,00,000	3,00,000	0.909
2	3,50,000	3,50,000	0.826
3	2,75,000	4,00,000	0.751
4	1,50,000	2,00,000	0.683
5	2,00,000	1,80,000	0.621

The rate of return is discounted at 10%. The discount factors are given above.

(4) M/s PQR Ltd. Is planning produce and sell 84,000 units in 2005-06. The estimated cost structure per unit and other data is as under:

(15)

- (a) Selling price RS.600
- (b) Cost of raw materials Rs.270
- (c) cost of labour Rs.30.
- (d) Manufacturing Overheads Rs.110
- (e) selling and distribution and other ExpensesRs.55.

The production and sales are spread evenly throughout the year .The duration at various stages of operation cycles is expected to be as under :

- (a) Raw Material stage :2 Months
- (b) WIP Stage :1 Month
- (c) Finished Goods : 1Month
- (d) Receivable :1.5 Month
- (e) Suppliers for Raw Materials : 1 Month Credit
- (f) Labour give 1 Month credit

Margin of safety is 10% of the total working capital after considering working capital.  
Estimate the working capital requirements.

OR

Q No 4 Y Ltd furnished the following information and requests you to prepare a statement of showing the requirement of working capital. Production capacity 40,000 units per annum.  
Output and sales for the year 2005-06, 36,000 units.

(15)

Cost Sheet	Per Unit (Rs.)
Raw Material	25
Wages	16
Overhead	10
	51



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Profit	9
Selling Price	60

Additional Information:

- (i) Raw Material remain in stock for one month's consumption.
- (ii) Process period is one month.
- (iii) Finished goods remain in stock for two month.
- (iv) credit period allowed by the suppliers of raw material is one months.
- (v) 25% of sales will be for cash.
- (vi) Credit period allowed to debtors is two months.
- (vii) Time lag payment of wages and overheads is one month.
- (viii) Cash on Hand and at bank should be Rs.25, 000.

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