

**COMMONWEALTH EXECUTIVE
MBA/MPA PROGRAMME**

Term-End Examination

December, 2007

E-10 : CORPORATE FINANCE

Time : 3 hours

Maximum Marks : 100

(Weightage 70%)

Note : Attempt any **three** questions from Section A.
Section B is **compulsory**. All questions carry
equal marks.

SECTION A

1. Distinguish between the various forms of business organisations. Explain the role of finance manager in each form of business organisation.
2. What are derivatives and hybrids ? Explain the difference between Call options and Put options, giving suitable examples.
3. What do you mean by financial projections ? Explain how financial projections are made.
4. What is leasing ? Explain how lease payments are determined and how they are treated for the purpose of taxation.
5. Explain the following :
 - (a) Stock Purchase Warrant
 - (b) Securitisation
 - (c) Advantages of Mergers

SECTION B

6. Summarised income and expenditure forecasts for the months of March to August 2007 are given below :

Month	Sales	Purchase	Wages	Overheads
March	60,000	36,000	9,000	10,000
April	62,000	38,000	8,000	9,500
May	64,000	33,000	10,000	11,500
June	58,000	35,000	8,500	9,000
July	56,000	39,000	9,500	9,500
August	60,000	34,000	8,000	8,500

You are required to prepare a cash budget for 3 months starting on 1st May, 2007 taking into account the following additional information :

- (i) Cash balance on 1st May, 2007, is Rs. 8,000.
 - (ii) Sales and purchase are on credit basis.
 - (iii) Plant costing Rs. 16,000 is due for delivery in July. 10% is payable on delivery and the balance after 3 months.
 - (iv) Advance tax instalments of Rs. 8,000 each are payable in March and June.
 - (v) The period of credit allowed by suppliers is 2 months and that allowed to customers is 1 month.
 - (vi) Lag in payment of all expenses is one month.
7. The Balance Sheets of Shyam Ltd. at the end of 2006 and 2007 are given below :

Balance Sheet

	31.12.06	31.12.07	Assets	31.12.06	31.12.07
Liabilities					
Paid up capital	1,00,000	1,00,000	Land	20,000	20,000
Reserves	50,000	60,000	Building	50,000	50,000
Debentures	60,000	70,000	Plant & machinery	1,20,000	1,50,000
Long term loans	30,000	40,000	Furniture & fitting	10,000	15,000
Bank loans	25,000	35,000	Inventory	50,000	55,000
Creditors	20,000	25,000	Debtors	20,000	35,000
Bills payable	5,000	10,000	Bills receivable	10,000	10,000
Total	2,90,000	3,40,000	Cash	10,000	5,000
			Total	2,90,000	3,40,000

The sales for 2006 and 2007 were Rs. 6,50,000 and Rs. 8,00,000 respectively. All the sales are made on credit basis. Opening Stock on 1st Jan., 2006 was Rs. 40,000. Gross Profit was Rs. 1,50,000 in 2006 and Rs. 2,00,000 in 2007.

From the above information you are required to calculate the following ratios :

- (i) Current Ratio
- (ii) Quick Ratio
- (iii) Inventory Turnover
- (iv) Average Collection Period
- (v) Debt Equity Ratio