

TILOTTAMA SECONDARY SCHOOL

Assignment-2077 (2020)

Subject: Finance

Grade: XII

Time: 3 hrs

Full Marks: 100

Pass Marks: 40

Candidates are required to give their answer in their own words as far as practicable. The figures in the margin indicate full marks.

1. What do you understand by finance? Explain the managerial function of finance. **(5)**
2. What do you understand by NEPSE? Mention the major function of NEPSE. **(5)**
3. Define financial statement. Write in brief about the different statement that are included in financial statement. **(10)**
4. Jagadamba Traders buy under term of '2/15 net 60'. Compute annual percentage cost under each of the following condition assuming 365 days in a year. **(10)**
 - a) If the company takes discount and pays on due date.
 - b) If the company does not take discount and pays on 40th day.
 - c) If the company actually pays on 25th day and still takes discount.
5. What do you understand by capital structure? Briefly explain the factors that affect the capital structure of a company. **(2+3)**
6. The Apple Corporation had total assets of Rs 900,000. Its liabilities side of balance Sheet consist of the following:

Account Payable	RS. 30,000
Notes Payable	Rs. 20,000
Long term debt	Rs. 50,000
Common stock(30,000 authorized shares, 15,000 shares outstanding) @ par value 50	Rs.7,50,000
Retained earnings	Rs. 50,000
Total liabilities and equity	Rs. 900,000

- a) Compute the book value per share, debt-equity ratio and long term debt to equity ratio. **(2)**
- b) Compute the new book value per share, debt-equity ratio and long term debt to equity ratio if the company issued 50% of remaining authorized shares at Rs. 60 per share. **(3).**

7. Compute after tax component cost of following sources of financing:
 - a) A 12 % bond with par value Rs.1000 having maturity of 10 years can be sold at premium of 10% of face value. The company also incurs flotation cost of 5% of current market price. The firm's marginal tax rate is 30%. Compute after tax cost of debt. **(2.5)**
 - b) A new common stock issue that paid a Rs. 12 dividend last year. The company's dividend is expected to grow at a constant rate of 6% per year. The current price of the stock is Rs. 110 but the flotation cost is 5% of market price. Calculate the cost of external equity. **(2.5)**
8. A company is considering the purchase of a machine. Two machines are available in the market, each costing RS 25,000. Each machine has expected life of five years. The cost of capital is 10%. Net cash flow during the expected life of the machine are:

Year	1	2	3	4	5
Machine A	9000	8000	7000	6000	5000

Calculated Net Present Value , Pay Back Period and profitability index machine A and suggest should machine be purchase or not and why? **(10)**

9. a. What is working capital? Differentiate between variable and permanent working capital? **(2+3)**
 - b. You are provided with the following information for a manufacturing concern:
 Annual sales: 8640 units @Rs 80 each
 Profit: 15 percent on sales
 Average credit period allowed to customer: 2.5 months
 Average credit period allowed by supplier: 3 months
 Average inventory holding period for production and sales: 3.5 months
Required: (a) Cash conversion cycle and (b) amount of working capital. (3+2)
10. You are given the following forecasted information for the three month of year 2016

Months	Sales in Rs.	Purchase	Wages and Salaries	Other operating expenses
December (actual)	250,000	200,000	12,500	7,500
January	250,000	200,000	15,000	7,500
February	300,000	225,000	15,000	12,500
March	350,000	275,000	25,000	10,000

Additional information:

- a) Sixty percent of sales and purchase are in cash.
- b) Credit purchases are settled in the following month and credit sales are collected after one month.
- c) A dividend of Rs12,500 is receivable during February 2016.
- d) Wages and salaries are paid in the following month.
- e) Other operating expenses are paid in the month in which they are incurred.
- f) Income tax payable is Rs15,000 in January 2016.
- g) The minimum cash balance to be maintained throughout the period is Rs10,000 each month.
- h) Cash in hand on the last day of December 2015 was Rs12,500.
- i) There is also an overdraft arrangement with the banker for taking against cash deficit.

You are required to prepare cash budget for January, February and March (10)

11. ABC company sells on term 3/10 net 30. Total sales for the year are Rs 900,000. Forty percent of the customer pays on tenth day; the other customer pays on average, 40 days after their purchases. Assume 360 days in a year.
 - a) What is the day's sale outstanding? (1)
 - b) What is the average amount of receivables? (2)

- c) What would happen to average receivables if the firm toughened its collection policy with the result that the entire non-discount customer paid on the thirtieth day? (2)

12. The following informations has been provided
 Annual Consumption: 1,000 units
 Cost per unit: Rs.20
 carrying cost: 10%
 ordering cost per order: Rs. 200
 Required EOQ by using tabular method. (5)

13. Define dividend. Explain the constraint on paying dividend. (5)

14. Write Short notes on (2.5 *4)
 - a. Multinational Corporation
 - b. Spot rate
 - c. Cross rate
 - d. Exchange rate