

[132/A-29E] Seat No: \_\_\_\_\_

No. of printed pages: 4

**SARDAR PATEL UNIVERSITY**  
**B Com (VI - Semester) Examination**  
**Friday, 29<sup>th</sup> March, 2019**  
**2.00 pm - 4.00 pm**  
**UB06CCOM01 - Corporate Finance**

**Total Marks : 60**

**Notes:** Figures to the right indicate marks.

Q.1

- (a) Explain the meaning and significance of cost of capital. (07)  
(b) Explain the methods of computing cost of equity capital and cost of debt capital. (08)

**OR**

Q.1

- (a) Explain the following concepts of cost of capital: (06)  
(i) Explicit cost and Implicit cost (ii) Marginal cost and Average cost  
(iii) Specific cost and Combined cost  
(b) The following information is available of Kesh Ltd. (09)

**Capital Structure**

**Book Value**

Equity share capital (Rs. 10 per share)	Rs. 1000000
Preference share capital (Rs. 100 per share)	Rs. 200000
Reserves and Surplus	Rs. 1800000
Debentures (Rs. 100 per debenture)	Rs. 2000000

**Additional Informations:**

- (1) Equity shares: Sales price Rs. 25. The dividend expected next year is Rs. 2 per share and anticipated growth rate in dividend is 10%.  
(2) Assume cost of retained earnings is 3% less than cost of equity.  
(3) Rs. 100 per preference share redeemable at par, 12 years maturity, 12% dividend rate, 4% flotation cost, Sales price Rs. 100  
(4) Rs. 100 per debenture redeemable at par, 10 years maturity, 8% interest rate, 4% flotation cost, Sales price Rs. 100.  
The corporate tax rate is 35%.  
Calculate Weighted Average Cost of Capital, using Book Value.

Q.2

- (a) Explain the following concepts of working capital: (08)  
(i) Gross Working Capital (ii) Net Working Capital  
(iii) Fixed Working Capital (iv) Fluctuating Working Capital  
(b) Discuss the sources of Working Capital. (07)

**OR**

Q.2

- (a) Discuss the factors determining working capital requirement. (08)  
(b) Calculate Operating cycle from the following information. (07)

Particulars	Opening Balance (Rs.)	Closing Balance (Rs.)
Raw Materials	80000	120000
Work in Progress	20000	60000
Finished Goods	60000	20000
Debtors	40000	40000
Purchase of Raw Materials	-	400000
Wages & Manufacturing expenses	-	200000
Sales (100% on Credit Sales)	-	1000000

The company obtains a credit for 60 days from its suppliers. Assume 365 days in a year.

(P.T.O.)