

Elements of Finance II

NEW SYLLABUS

Full Marks: 100

Teaching Hrs: 150

Introduction

Finance is an emerging discipline. Traditionally finance was concerned with financial instruments and institutions only. But, the scope of finance has now been expanded to encompass areas like mathematics, statistics, working capital management, financial analysis, risk, insurance, and multinational finance. The role of finance in company's success has become paramount as all business decisions and activities of a business have financial implications. As such Finance as a subject has found a prominent place as one of the functional areas of commerce education at the higher secondary level.

General Objectives

General objectives of this course are to enable the students to understand concepts and principle of elementary finance as foundation for higher level education and to impart skills required for understanding corporate finance.

Specific Objectives

On completion of this course, the student shall be able to:

- describe the concept and scope of corporate finance and its environment;
- appreciate the significance of financial statements in analyzing financial problems of the business;
- discuss and compute short-term and long-term source of finance;
- acquire elementary knowledge of investment decision tools;
- explain the concepts and importance of working capital in business;
- appreciate different components of current assets;
- explain the concept and importance of dividend.

Contents and Unit-Wise Teaching Hours

Units	Chapters	Teaching Hours
1	Overview of Corporate Finance	10
2	Business and Financial Environment	12
3	Financial Statements and Cash Flows	13
4	Short-term Financing	15
5	Long-term Financing	15
6	Cost of Capital	8
7	Investment in Fixed Assets	15
8	Basics of Working Capital	12
9	Managing Current Assets	25
10	Dividend	10
11	Multinational Finance	15
	Total	150

Course Content

UNIT 1: OVERVIEW OF CORPORATE FINANCE

Concept of corporate finance; Evolution of finance; Finance functions; financial decisions (investments, financing and liquidity)

UNIT 2: BUSINESS AND FINANCIAL ENVIRONMENT

Forms of business organization-sole proprietorship, partnership, company; Concept of income tax, the financial environment-the purpose of financial market, financial intermediaries, financial brokers, and the secondary market, Nepal Stock Exchange: organization and functions.

UNIT 3: FINANCIAL STATEMENTS AND CASH FLOWS

Concept and uses of financial statements in financial decision-making: income statement, balance sheet, statement of retained earning and cash flow statement; Depreciation and cash flows; Taxes and cash flows; Computation of cash flows after tax (CFAT).

UNIT 4: SHORT-TERM FINANCING

Concept and importance of short-term financing; Sources of short-term financing: Accruals, trade credit, bank loan and commercial paper; Computation of cost of trade and bank loan:

UNIT 5: LONG-TERM FINANCING

Debt: concept, features and types; Preferred stock: concept, features and limitations; Common stock: concept, features and types; Rights and privileges of common stock holders; Retained earnings: concept and importance; Concept of factors affecting capital structure; Computation of book value of equity and debt-equity ratios; Computation of costs of issuing securities.

UNIT 6: COST OF CAPITAL

Concept of cost of capital; Computation of specific costs: debt, preferred stock, and common stock.

UNIT 7: INVESTMENT IN FIXED ASSETS

Concept importance and features of investment decision; Concept of opportunity cost; Concept of net cash flow and present value; Types of investment proposals; Steps involved in the evaluation of an investment; Computation of pay back period, net present value and profitability index of independent projects.

UNIT 8: BASICS OF WORKING CAPITAL

Concept, types, importance and determinates of working capital; Gross Working Capital and Net Working Capital; Concepts and computation of cash conversion cycle; Determinants of working capital.

UNIT 9: MANAGING CURRENT ASSETS

Cash and marketable securities: concept and motive for holding cash, concept of inflows and outflows, concept and importance of cash budget, preparation of cash budget.

Receivables: Concept and importance of receivables, concept of average receivable and days sales outstanding (DSO), terms of credit sales, credit standards and collection policies and procedures, computation of average receivable & DSO.

Inventory: Concept of raw materials, work-in-process and finished goods, need to hold inventories, objective of inventory management, concept of carrying and ordering costs, total inventory costs, reorder point and safety stock, determining EOQ (formula and tabular approach).

UNIT 10: DIVIDEND

Introduction and forms of dividends; dividend payment procedure and factors influencing dividend decision; constraints on paying dividends

UNIT 11: MULTINATIONAL FINANCE

Multinational corporations; Multinational versus domestic financial management; Exchange rates, concept of cross rate; Trading in foreign exchange: concepts of spot rates and future rates.

Instructional Techniques

- Lectures
- Group work
- Independent Study
- Demonstration
- Project Work
- Discussion
- Presentation

Assessment Techniques

Written Examination 100 (100%)

Evaluation Scheme

Units	Title	Number of questions			Marks Allocated		
		Th.	Pr.	Tot	Th.	Pr.	Tot
1	Overview of corporate finance	1		1	5		5
2	Business and Financial Environment	1		1	5		5
3	Financial Statements and Cash Flows			1			10
4	Short-term Financing		1	1		10	10
5	Long-term Financing	1	1	2	5	5	10
6	Cost of Capital		1	1		5	5
7	Investment in Fixed Assets		1	1		10	10
8	Basic of Working Capital			1			10
9	Managing Current Assets	1	2	3	5	15	20
10	Dividend	1		1	5		5
11	Multinational Finance			1			10
	Total						100

Note:

- Questions may combine theory and computational problems from Units 2, 5, and 8.
- 14 questions are asked in total, out of them 8 theory questions carrying 45 marks and 6 computational questions carrying 55 marks.

HSEB EXAM- 2069 (2012)

Group 'A'

Attempt all questions:

- Write in brief about finance functions. [5]
- What do you understand by Nepal Stock Exchange? Mention the functions of Nepal Stock Exchange. [2+3]
- Clarify the meaning of cash flow statement. Write about the cash flow from investment and financing activities with illustrations. [4+6]
- A company needed Rs. 5,00,000 to increase working capital. It has three alternatives of financing available.
 - Forgo cash discounts, granted on a basis of "2/10, net 30".
 - Borrow from the bank at simple interest rate of 10 percent, with compensating balance of 15 percent.
 - Issue commercial paper at 12 percent. The cost of placing the issue would be Rs. 5,000 each six months.

Ans: (a) 37.14% (b) 11.76% (c) 14%

Required: Calculate annual percent cost for each alternative. [4+3+3]

- Define common share capital. Also mention the rights and privileges of common stockholders. [3+2]
- Following information are provided:

Common shares outstanding	: 20,000 shares
Par value per share	: Rs. 100
Share premium	: Rs. 5,00,000
Retained earnings	: Rs. 15,00,000
Total debt	: Rs. 30,00,000

Required:

- Total book value of equity
- Book value per share
- Debt equity ratio [2+2+1=5]

Ans: (a) Rs. 40,00,000 (b) Rs. 200 (c) 75%

- A company plans to issue 5,000 preference shares of Rs. 100 each with a 12 percent dividend.
 Required:
 - Calculate cost of preference shares if it is selling at par.
 - Calculate cost of preference shares if it is selling on the market for Rs. 120 and incurs Rs. 5 flotation cost per share

[2+3=5]

Ans: (a) 12% (b) 10.43%

8. The net cash flows to two proposed proposals are:

Years	0	1	2	3	4
Proposal 'A' (Rs)	(20,000)	7,000	7,000	7,000	7,000
Proposal 'B' (Rs)	(20,000)	10,000	5,000	8,000	5,000

The cost of capital for each project is 10%

Required: Payback period and net present value.

[5+5=10]

Ans: $PBA_A = 2.86$ year, $PBP_B = 2.625$ year, $NPV_A = Rs. 2189.3$, $NPV_B = Rs. 2648.4$

9. a. State the importances of working capital.

[5]

- b. The following information are provided:

Sale per day	: 5,000 units
Selling price per unit	: Rs. 10
Inventory conversion period	: 20 days
Receivable conversion period	: 30 days
Payable deferred period	: 10 days

Required:

- a. Cash conversion cycle period b. Working capital

[5]

Ans: (a) 40 days (b) Rs. 5555.56

10. State the importances of cash budget.

[5]

11. The following information is provided:

Annual requirement	: 80,000 units
Purchasing price per unit	: Rs. 20
Carrying cost per unit 20% of purchasing price	
Ordering cost per order	: Rs. 400

Required: Economic order quantity by using formula method and tabular method

[4+6=10]

Ans: 4000 units

12. The following information is provided:

Days sales outstanding	: 29 days
Annual sales	: 20,000 units
Selling price per unit	: Rs. 25

Required:

- a. Average daily sales b. Average accounts receivable

[2.5+2.5=5]

Ans: (a) Rs. 1388.89 (b) Rs. 40277.78

13. Write in brief about the factors influencing dividend decision.

[5]

14. What do you mean by multinational company? Distinguish between multinational financial management and domestic financial management.

[5+5]

UNIT 1: OVERVIEW OF CORPORATE FINANCE

1. 2073 Q.No. 1

Write in brief about financial decision and investment decision.

[5]

वित्त-सङ्कलन सम्बन्धी निर्णय र लगानी सम्बन्धी निर्णय वारेमा छोटकरीमा लेख्नुहोस्।

2. 2072 Q.No. 1

Briefly write about the evolution of corporate finance.

[5]

वित्तशास्त्रको उत्पत्तिवारेमा छोटकरीमा लेख्नुहोस्।

3. 2072 Set E Q.No. 1

Write in brief about executive financial functions of corporate finance.

[5]

संस्थागत वित्तशास्त्रका व्यवस्थापकीय कार्यहरूवारे छोटकरीमा लेख्नुहोस्।

4. 2071 Supp Q.No. 1

What do you understand by Corporate Finance? Also write in brief about investment decision. [3+2]

कंपरेट वित्त भन्नाले के बुझ्नु हुन्छ? साथै लगानी निर्णयवारे छोटकरीमा लेख्नुहोस्।

5. 2071 Q.No. 1

Write in brief about routine finance functions.

[5]

नियमित वित्तका कार्यहरूवारे छोटकरीमा लेख्नुहोस्।

6. 2070 Q.No. 1

What do you understand by finance? State any three functions of finance. [5]
 वित्त भन्नाले के बुझ्नु हुन्छ ? वित्तका कुनै तीन कार्य उल्लेख गर्नुहोस् ।

7. 2069 Supp Q.No. 1

What is meant by finance? State its importance. [5]
 वित्तशास्त्र भन्नाले के बुझ्नु हुन्छ ? यसको महत्व उल्लेख गर्नुहोस् ।

8. 2069 Q.No. 1

Write in brief about finance functions. [5]
 वित्तशास्त्रका कार्यहरू छोटकरीमा लेख्नुहोस् ।

9. 2068 Q.No. 1

Write in brief about financing decision and liquidity decision. [5]
 वित्तीय निर्णय र तरलता निर्णयबारेमा छोटकरीमा लेख्नुहोस् ।

10. 2067 Q.No. 1

Write what do you know about 'financial decision'. [5]
 'वित्त निर्णय' बारेमा के थाहा छ, लेख्नुहोस् ।

UNIT 2: BUSINESS AND FINANCIAL ENVIRONMENT

1. 2073 Q.No. 2

What do you understand by Financial Market? State the purpose of Financial Market in brief. [2+3=5]
 वित्तीय बजार भन्नाले के बुझ्नुहुन्छ ? यसका उद्देश्यहरू छोटकरीमा उल्लेख गर्नुहोस् ।

2. 2072 Q.No. 2

Define financial market. Also describe any two purposes of it. [3+2=5]
 वित्तीय बजारलाई परिभाषित गर्नुहोस् । साथै यसका कुनै दुईवटा उद्देश्यहरू वर्णन गर्नुहोस् ।

3. 2072 Set E Q.No. 2

Define financial intermediaries. Write in brief the different types of depository institutions. [2+3]
 वित्तीय मध्यस्थकर्ताको परिभाषाका साथै विभिन्न निक्षेप संस्थाहरूको बारेमा छोटकरीमा वर्णन गर्नुहोस् ।

4. 2071 Supp Q.No. 2

Describe in brief about basic components of financial environment. [5]
 वित्तीय वातावरणका आधारभूत तत्वहरूबारे छोटकरीमा वर्णन गर्नुहोस् ।

5. 2071 Q.No. 2

Write in brief about Deposit Institutions. [5]
 निक्षेप संस्थाहरूको बारेमा संक्षिप्तमा लेख्नुहोस् ।

6. 2070 Q.No. 2

What do you mean by financial intermediaries? What purpose it solves? [2+3=5]
 वित्तीय मध्यस्थकर्ता भन्नाले के बुझ्नु हुन्छ ? यसले कुन उद्देश्य पूरा गर्दछ ?

7. 2069 Supp Q.No. 2

What are the main functions of financial market? [5]
 वित्तीय बजारका मुख्य कार्यहरू के के हुन् ? लेख्नुहोस् ।

8. 2069 Q.No. 2

What do you understand by Nepal Stock Exchange? Mention the functions of Nepal Stock Exchange. [2+3]
 नेपाल धितोपत्र विनिमय भन्नाले के बुझ्नुहुन्छ? नेपाल धितोपत्र विनिमयका कार्यहरू उल्लेख गर्नुहोस् ।

9. 2068 Q.No. 2

Clarify the meaning of financial intermediaries. Also mention the types of financial intermediaries. [3+2]
 वित्तीय मध्यस्थकर्ताको अवधारणा प्रस्ट गर्नुहोस् । साथै वित्तीय मध्यस्थकर्ताका प्रकारहरू समेत उल्लेख गर्नुहोस् ।

10. 2067 Q.No. 2

Clarify the meaning of Financial Market, differentiate between Primary and Secondary Market. [2+3]
 वित्तीय बजारको अर्थ प्रष्ट्याउनुहोस् र साथै प्राथमिक र दोस्रो बजारमा भिन्नता छुट्याउनुहोस् ।

UNIT 3: FINANCIAL STATEMENTS AND CASH FLOWS

1. 2073 Q.No. 3

In how many categories the activities of a firm are classified for preparing Cash Flow Statement? Illustrate all of them. [10]

नगद प्रवाह विवरण तयार गर्दा संस्थाका क्रियाकलापलाई कति भागमा विभाजन गरिन्छ ? ती सबैको बारेमा दृष्टान्त दिनुहोस् ।

2. 2072 Q.No. 3

Write the meaning of financial statement showing its usefulness in financial decision making. [5+5]
 वित्तीय निर्णयमा वित्तीय विवरणको उपयोगिता दर्शाउदै वित्तीय विवरणको अर्थ लेख्नुहोस् ।

3. 2072 Set E Q.No. 3

Explain the various activities that are included in cash flow statement. [10]

नगद प्रवाह विवरणमा समावेश हुने विभिन्न क्रियाकलापहरू बारेमा व्याख्या गर्नुहोस् ।

4. 2071 Supp Q.No. 3

Clarify the meaning of financial statements. Write in brief about the four statements which are usually included in annual report. [4+6=10]

वित्तीय विवरणको अर्थ प्रष्ट गर्नुहोस् । वार्षिक प्रतिवेदनमा धेरै जसो समावेश गरिने चार विवरणहरूबारे छोटकरीमा लेख्नुहोस् ।

5. 2071 Q.No. 3

Write the meaning of cash flow statement. Also explain the cash flow from operating activities with example. [4+6=10]

नगद प्रवाह विवरणको अर्थ लेख्नुहोस् । सञ्चालन गतिविधिबाट हुने नगद प्रवाहबारे उदाहरणसहित वर्णन गर्नुहोस् ।

6. 2070 Q.No. 3

What is cash flow statement? What are the purposes of preparing cash flow statement? [4+6]

नगद प्रवाह विवरण भनेको के हो ? यसलाई तर्जुमा गर्नुका उद्देश्यहरू के हुन् ?

7. 2069 Supp Q.No. 3

What four statements are contained in most annual reports an enterprise? What are their importance in financial decision making? [10]

व्यावसायिक संस्थाको वार्षिक प्रतिवेदनमा कुन कुन चार विवरणहरू समावेश हुन्छन् । वित्तीय निर्णयमा तिनीहरूको महत्व के के हुन् ? लेख्नुहोस् ।

8. 2069 Q.No. 3

Clarify the meaning of cash flow statement. Write about the cash flow from investment and financing activities with illustrations. [4+6]

नगद प्रवाह विवरणको अर्थ प्रस्ट पार्नुहोस् । लगानीबाट हुने नगद प्रवाह र वित्तीय गतिविधिबाट हुने नगदबारे उदाहरणसहित उल्लेख गर्नुहोस् ।

9. 2068 Q.No. 3

What do you understand by cash flow statement? In how many categories, the activities of a firm are classified for preparing it? Illustrate any one of them. [4+2+4]

नगद प्रवाह विवरण भन्नाले के बुझ्नुहुन्छ ? यस विवरणलाई तयार गर्दा संस्थाका क्रियाकलापलाई कति भागमा विभाजन गरिन्छ ? ती मध्ये कुनै एकको बारेमा दृष्टान्त दिनुहोस् ।

10. 2067 Q.No. 3

What do you mean by financial analysis? Briefly write about the four statements which are included in most annual report. [4+6]

वित्तीय विश्लेषण भन्नाले के बुझ्नुहुन्छ ? प्रतिवेदनमा समावेश हुने चार विवरणबारे छोटकरीमा लेख्नुहोस् ।

UNIT 4: SHORT-TERM FINANCING

1. 2073 Q.No. 4

The following three alternatives are available for the loan of Rs. 4,00,000 for a year.

- Forgo cash discount granted on a basis of '3/10 net 30'.
- Borrow from the Bank at simple interest rate of 12% with compensating balance of 10%.
- Issue commercial paper at 10% interest. The cost of placing the issue would be Rs. 25,000 at each six months period.

Required: Cost percent for each alternative

Ans: (a) 56.44% (b) 13.33% (c) 22.50 %

2. 2072 Q.No. 4

A company purchases the materials of Rs.5,00,000 under the terms of '2/20 net 40'. Assume 365 days in a year.

Required:

[3+4+3=10]

- Annual cost of loan in percentage
- Effective rate
- Annual cost of loan in percentage non-discounted if payment period stretches to 50 days

Ans: (a) 37.24%, (b) 44.59%, (c) 24.83%

3. 2072 Set E Q.No. 4

A company buys under the terms of '2/10 and 30'. Compute annual percentage cost under each of the following conditions assuming 365 days in a year. [3+3+4]

- If the company pays on 20th day without taking discount.
- If the credit period is extended to 40 days.
- Effective cost of trade credit of '2/10 net 30' customers stretching the payment to 50 days.

Ans: (a) 74.49% (b) 24.83% (c) 20.24%

4. 2071 Supp Q.No. 4

A company wishes to borrow Rs 4,00,000 for one year. A company has the following alternatives available to it.

Alternative 1: A 14% loan no compensating balance requirement.

Alternative 2: A 12% loan with 10% compensating balance requirement.

Alternative 3: A 8% loan on a discount basis with 15% compensating balance requirement.

Which alternative should the company choose and why?

[3+3+4=10]

Ans: APC: Alternative 1 = 14%; Alternative 2 = 13.33% Alternative 3 = 10.39%

5. 2071 Q.No. 4

A company made negotiation with a bank for one year loan of Rs 4,00,000. The bank has offered three alternatives:

- A simple interest @ of 15%, with 20% compensating balance.
- A discount rate of 14%, without compensating balance.
- A discount rate 12%, with 20% compensating balance.

Required: Annual cost of loan in percentage, for three alternatives.

[3+3+4=10]

Ans: (a) 18.75% (b) 16.28% (c) 17.65%

6. 2070 Q.No. 4

Gift store shop borrow Rs. 15,00,000 from City Bank. The loan was at a simple interest rate of 15% a year, discount interest. Instead of borrowing loan, the shop decided to delay payment by 30 days on term 2/10 net 30. The bank will go for cheap source of financing. Based on interest rate comparison, which source the shop would select? [4+4+2=10]

Ans: 17.65 % and 14.90%

7. 2069 Supp Q.No. 4

Fabric Textile company is in need of Rs. 2,00,000 in cost to finance current assets requirement. Mr. Treasurer has three alternatives for raising fund for requirement. Calculate the cost of each of the following alternatives.

- Forgo cash discount on term '2/10, net 25'.
- Borrow on discount basis from Bank at a 15% rate of interest for a period of one year.
- Borrow from Bank at a 16% rate of interest for a period of one year.

Ans: (a) 49.66%, (b) 17.65%, (c) 16%

8. 2069 Q.No. 4

A company needed Rs. 5,00,000 to increase working capital. It has three alternatives of financing available.

- Forgo cash discounts, granted on a basis of "2/10, net 30".
- Borrow from the bank at simple interest rate of 10 percent, with compensating balance of 15 percent.
- Issue commercial paper at 12 percent. The cost of placing the issue would be Rs. 5,000 each six months.

Required: Calculate annual percent cost for each alternative. [4+3+3]

Ans: (a) 37.14% (b) Rs. 11.76% (c) 14%

9. 2068 Q.No. 4

A trader can avail loan of Rs. 2,00,000 from the following two alternatives:

Alternative 1: At simple interest rate 12%, with the compensating balance of 20%.

Alternative 2: With discounted interest rate 10%, with the compensating balance of 20%.

Required: Annual cost of loan in percentage.

[5+5]

Ans: Alt1 = 15%; Alt 2 = 14.29%

10. 2067 Q.No. 4

A trader buys under term of $\frac{2}{30}$ net 90. Compute annual percentage cost under each of the following conditions assuming 365 days in a year: [3+3+4]

- If the trader does not take discount and pays on due date.
- If the trader does not discount and pays on 60th day.
- If the trader actually pays in 40th days and still takes the discount, what is the cost of its non-free trade credit?

Ans: (a) 12.41% (b) 24.83% (c) 14.90%

UNIT 5: LONG-TERM FINANCING

THEORETICAL QUESTIONS

1. 2073 Q.No. 5

Define long term loan and also mention its any three objectives. [2+3=5]

दीर्घकालीन ऋणलाई परिभाषित गर्नुहोस्। साथै यसका कुनै तीनवटा विशेषताहरू उल्लेख गर्नुहोस्।

2. 2072 Q.No. 5

State the different factors that affect the capital structure. [5]

पूँजी संरचनालाई असर पार्ने विभिन्न तत्वहरूको वर्णन गर्नुहोस्।

3. 2072 Set E Q.No. 5

State the meaning of common stock. Write any three features of it. [2+3]

साधारण अंशपत्रको अर्थ वर्णन गर्नु होस्। यसका कुनै तीन विशेषताहरू उल्लेख गर्नु होस्।

4. 2071 Supp Q.No. 5

What do you understand by preferred stock? Write any three features of preferred stock. [2+3]

पूर्वप्राथमिकता प्राप्त शेयर भन्नाले के बुझ्नु हुन्छ? यसका कुनै तिन विशेषताहरू लेख्नुहोस्।

5. 2071 Q.No. 5

What do you understand by the term capital structure? Write any two factors that are affecting capital structure. [5]

पूँजी संरचना भन्नाले के बुझ्नुहुन्छ? पूँजी संरचनामा प्रभाव पार्ने कुनै दुई तत्वहरू लेख्नुहोस्।

6. 2070 Q.No. 5

Write the meaning of common stock. Mention any three features of it. [2+3]

साधारण शेयरको अर्थ लेख्नुहोस्। यसका कुनै तीन विशेषताहरू उल्लेख गर्नुहोस्।

7. 2069 Supp Q.No. 5

Write the meaning of preferred stock. What are its features? [5]

पूर्वाधिकार अंशको लेख्नुहोस्। यसका विशेषताहरू के के हुन्?

8. 2069 Q.No. 5

Define common share capital. Also mention the rights and privileges of common stockholders.
साधारण शेयर पूँजीको परिभाषा दिनुहोस् । साधारण अधिकारहरूको अधिकार तथा सुविधाहरू उल्लेख गर्नुहोस् । [3+2=5]

9. 2068 Q.No. 5

Write about any three factors which affect the capital structure. [5]
पूँजी संरचनामा प्रभाव पार्ने कुनै तीन तत्वहरूका बारेमा लेख्नुहोस् ।

10. 2067 Q.No. 5

Define preferred stock and write any three features of it. [2+3]
पूर्वाधिकार शेयरको परिभाषाका साथै यसका कुनै तीनवटा विशेषता उल्लेख गर्नुहोस् ।

NUMERICAL PROBLEMS**11. 2073 Q.No. 6**

The assets and liabilities and other items of a company are as under:
Issued and paid up capital of Rs. 100 per share Rs. 5,00,000
Long term loan Rs. 3,00,000
Creditors Rs. 50,000
Preliminary expenses Rs. 30,000

Required: [2.5 + 2.5 = 5]

- a. Book value per share b. Debt equity ratio

Ans: (a) Rs. 94 (b) 74.47 %

12. 2072 Q.No. 6

The authorized capital of a company was 10,000 shares of Rs.100 each, out of which 6000 shares were issued.

The other details are as under

Creditors	Rs.4,00,000
Long term debt	Rs.2,00,000
Retained earning	Rs.4,00,000

Required: [1+2+2=5]

- a. Book value of equity b. Book value per share
c. Book value per share after issuing remaining share @ Rs.120 per share

Ans: (I) Rs 10,00,000; (II) Rs 166.67; (III) Rs 148

13. 2072 Set E Q.No. 6

The following items are extracted from the Balance Sheet of a company.

10% debentures	Rs. 1,35,000
Common stock of	Rs. 100 each Rs. 2,00,000
Retained earning	Rs. 50,000
Share premium	Rs. 30,000
Preliminary expenses	Rs. 10,000

Required: [1+2+2]

- a. Book value of equity b. Book value per share c. Debt-equity ratio

Ans: (I) Rs. 270,000, (II) Rs. 135 (III) 50%

14. 2071 Supp Q.No. 6

Following information are provided:

Accounts payable:	Rs.75,000
Notes payable:	Rs.50,000
Long term Debt:	Rs.1,25,000
Common stock (Rs. 100 per share):	Rs.2,50,000
Retained Earnings:	Rs 1,50,000

Required : [2+1+2=5]

- a. Book value per share b. Debt-equity ratio c. Long-term debt to equity ratio

Ans: (a) Rs. 160 (b) 62.5% (c) 31.25%

15. 2071 Q.No. 6

The liabilities and capital fund of a company are as under:

Authorised capital: Equity share of Rs. 100 each	Rs. 5,00,000
Issued & paid up capital: 3,000 equity shares	Rs. 3,00,000
Accounts payable	Rs. 2,00,000
Long term loan	Rs. 4,00,000
Reserve & Surplus	Rs. 1,00,000
Bills payable	Rs. 1,00,000

Required:

- Book value per share
- New book value per share when the remaining shares are also issued) [2+3=5]

Ans: (a) 133.33= 133 shares (b) 120 shares

16. 2070 Q.No. 6

The liabilities side of the Balance sheet of Solar Resource Company consists of the following: [2.5+2.5=

Liabilities	
Account payable	Rs. 1,00,000
Short term loan	Rs. 2,00,000
Long term loan	Rs. 3,00,000
Common stock	Rs. 4,00,000
50,000 shares authorized 25,000 shares outstanding	
Retained earnings	Rs. 5,00,000
Total Liabilities & equities	Rs. 15,00,000

Required:

- Book value per share of common stock.
- Suppose the shop sold the remaining authorized share and netted Rs. 30 per share from the sale, what would be the new book value per share?

Ans: (i) Rs. 36, (ii) Rs. 33

17. 2069 Supp Q.No. 6

A company limited has a total assets of Rs. 987,000. Its liabilities side of balance sheet consists of the following:

Liabilities	Rs.
Account payable	64,000
Notes payable	71,400
Long term debt	1,51,200
Common stock(30,000 shares authorized and 20,000 shares outstanding)	3,64,000
Retained earnings	3,36,400
Total	9,87,000

Required:

- What is the book per share of (MWAC)?
- If Supplier Company sold remaining authorized shares at Rs. 32 per share, what would be the new book-value per share? [3+2=5]

Ans: (a) Rs. 35.02 and (b) Rs. 34.01

18. 2069 Q.No. 6

Following information are provided:

[2+2+1=5]

Common shares outstanding	: 20,000 shares
Par value per share	: Rs. 100
Share premium	: Rs. 5,00,000
Retained earnings	: Rs. 15,00,000
Total debt	: Rs. 30,00,000

Required:

- Total book value of equity
- Book value per share
- Debt equity ratio

Ans: (a) Rs. 40,00,000 (b) Rs. 200 (c) Rs. 75%

19. 2068 Q.No. 6

Following information are provided:

Accounts payable	Rs. 80,000
Notes payable	Rs. 20,000
Long term debt	Rs. 1,00,000
Common stock (Rs. 100 per share)	Rs. 4,00,000
Retained earning	Rs. 1,00,000

Required:

- a. Book value per share b. Debt-equity ratio c. Long-term debt to equity ratio
- [2+2+1]
- Ans: (a) Rs. 125 (b) 40% (c) 20%

20. 2067 Q.No. 6

The following information are provided:

Authorised Capital: 20,000 Equity Shares of Rs. 100 each Rs. 20,00,000

Issued, subscribed, called up and Paid up Capital: 8,000 Equity Shares of Rs. 100 each Rs. 8,00,000

Required:

- a. Book value per share.
- b. Book value per share, if the company issued the remaining shares out of authorized capital and per share Rs. 50 only called and paid up from them.
- [2+3]

Ans: (a) Rs 100 (b) Rs 70

UNIT 6: COST OF CAPITAL
1. 2073 Q.No. 7

The following information are provided for 10% debentures:

Face value = Rs. 100 per share

Maturity period = 5 years

Tax = 40%

Required:

Cost of debt capital if

- a. Issued at 10% discount b. Issued at 10% premium

[2.5 + 2.5 = 5]

Ans: (a) 7.71% (b) 4.5 %

2. 2072 Q.No. 7

A company issued 10,000 ordinary shares of Rs.100 each. The flotation cost was Rs.5 per share. The company distributed dividend of Rs.10 per share for the current year. The expected growth rate is 5%.

Required:

Compute the cost of equity shares for this year if these shares are:

- a. Issued at par b. Issued at Rs.150 per share

[5]

Ans: (a) 16.05%; (b) 12.24%

3. 2072 Set E Q.No. 7

The following information are provided:

Equity shares issued- 2000 shares of Rs. 100 each

10% Debentures issued- 1000 debentures of Rs. 100 each

Market value per equity share Rs. 200

Dividend per share Rs. 20

Tax rate 40%

Flotation cost Rs. 5 per Debenture

Redemption of Debentures - 5 years

Required:

- a. Cost of equity capital b. Cost of debentures

[2+3]

Ans: (I) 10% (II) 6.83%

4. 2071 Supp Q.No. 7

Following information are provided:

- A 10% bond with par value of Rs. 1,000 is selling today at 5% discount. Tax rate is 40%.
- A Rs.100 par value preferred stock with 10% dividend, selling today at Rs. 95 per share. The flotation costs is 4% of market price. [2+3=5]

Required: Cost of each source of financing

Ans: (a) $K_{dt} = 6.32\%$ (b) $K_p = 10.96\%$

5. 2071 Q.No. 7

A company limited is issued 2000, 10% debentures of Rs. 100 each to be redeemable after 10 years. The corporate tax is 25%.

Required: Cost of debt capital when the debentures are

[2+3=5]

- Issued at par
- Issued at 10% premium

Ans: (a) 7.5% (b) 6.33%

6. 2070 Q.No. 8

Assuming that a firm falls under 30% tax bracket compute the after tax cost of the following financial assets [2.5+2.5=5]

- A bond sold at par with coupon interest rate of 12%.
- Common stock sold at par with dividend of Rs. 5 paid in last year but expected to grow at 5% forever.

Ans: (a) 8.4% (b) 10.25%

7. 2069 Supp Q.No. 7

Calculate the after-tax cost of capital of the following success of financial. Assume 40% corporate tax rate. [5]

- A perpetual 12% debenture of Rs. 1,000, sold at a premium of 10% with no flotation cost.
- An equity share selling Rs. 50 and expected dividend of Rs. 6 per share infinite period.

Ans: (a) 6.55%, (b) 12%

8. 2069 Q.No. 7

A company plans to issue 5,000 preference shares of Rs. 100 each with a 12 percent dividend.

Required:

- Calculate cost of preference shares if it is selling at par.
- Calculate cost of preferences shares if it is selling on the market for Rs. 120 and incurs Rs. 5 flotation cost per share. [2+3=5]

Ans: (a) 12% (b) 10.43%

9. 2068 Q.No. 7

A company issues 10,000 equity shares of Rs. 100 each. The flotation cost is Rs. 5. The company pays a dividend of Rs. 10 per share initially and the growth in dividend is expected to be 5%.

Required: Compute the cost of equity shares if these shares are:

- issued at par
- issued at 10% premium.

[2+3]

Ans: (a) 16.05% (b) 15%

10. 2067 Q.No. 7

Compute the after tax cost of capital of the following source of financing assuming corporate tax rate is 25%:

- A perpetual 10% of debentures of Rs. 100 each issued at the premium of 10% with flotation cost of Rs. 2 per debenture.
- A 10 years, 10% debentures of Rs. 100 each redeemable at par with flotation cost of 2%. [2 + 3]

Ans: (a) 7.65% (b) 7.76%

UNIT 7: INVESTMENT IN FIXED ASSETS

1. 2073 Q.No. 8

The cash flows of a project are as under:

Year	0	1	2	3	4
Cash flow Rs.	-200,000	60,000	80,000	100,000	100,000

Cost of capital: 10%

Required:

- a. Payback period b. Net present value

c. Profitability index [3+4+3=10]

Ans: (a) 2.6 year (b) Rs. 64,088 (c) 1.32

2. 2072 Q.No. 8

The cash flows of a project are as under:

Years	0	1	2	3	4	5
Cash flows	-50,000	15,000	15,000	10,000	20,000	20,000

The cost of capital is 10%

Required:

- a. Payback period b. Net present value

c. Profitability index [3+4+3=10]

Ans: (a) 3.5 years; (b) Rs 9,623.50; (c) 1.19

3. 2072 Set E Q.No. 8

Net cash flows of a proposed project are as under:

Year	1	2	3	4	5
Net Cash flow (Rs.)	10,000	8,000	9,000	6,000	7,000

The cost of project is Rs. 25,000 and cost of capital is 9%.

Required:

- i. Payback period ii. Net present value

iii. Profitability index [3+4+3]

Ans: (i) 2.78 Years (ii) Rs. 6,657.10 (iii) 1.266

4. 2071 Supp Q.No. 8

Company Ltd. is considering to invest in a project costing Rs. 1,00,000. The net cash flows of the project are as follows:

Year	1	2	3	4
Net Cash Flows (Rs)	50,000	40,000	30,000	20,000

Required:

- a. Payback Period b. Net Present Value

c. Profitability Index [3+4+3=10]

Ans: (a) 2.33 year (b) Rs. 14,710 (c) 1.147

5. 2071 Q.No. 8

The estimated net cash flows of a project which requires Rs. 50,000 investment are as under:

Year	1	2	3	4
Rs.	15,000	20,000	15,000	20,000

The cost of capital is 10%.

Required:

- a. Payback period b. Net present value

c. Profitability index [3+4+3=10]

Ans: (a) 3 year (b) Rs. 5,094 (c) 1.10188

6. 2070 Q.No. 7

The after tax cash flow for two projects are given below:

Year	Project 'A'	Project 'B'
0	(Rs. 2,50,000)	(Rs. 2,50,000)
1	Rs. 200,000	0
2	Rs. 90,000	Rs. 1,80,000
3	Rs. 10,000	Rs. 1,00,000
4	Rs. 10,000	Rs. 90,000
5	Rs. 5,000	Rs. 20,000

Company's required rate of return is 14%.

[3+6+1=10]

Required:

- Payback period of both projects.
- Net present value of both projects.
- Which project should be accepted? Why?

Ans: (a) 1.56 years, 2.7 years (b) Rs. 9,963 and Rs. 19,687

7. 2069 Supp Q.No. 8

Project A requires an investment of Rs. 15,000. The cost of capital is 5%. The cash flow of project are as follow:

Year	1	2	3	4	5
Cash Flow Rs.	1000	2000	4000	5000	8000

[2.5×4=10]

Required:

- Payback period
- Net present value
- Profitability Index

Ans: (a) 4.38 years, (b) Rs 1603.1, (c) 1.11

8. 2069 Q.No. 8

The net cash flows to two proposed proposals are:

Years	0	1	2	3	4
Proposal 'A' (Rs)	(20,000)	7,000	7,000	7,000	7,000
Proposal 'B' (Rs)	(20,000)	10,000	5,000	8,000	5,000

The cost of capital for each project is 10%

Required: Payback period and net present value.

[5+5=10]

Ans: $PBP_A = 2.86$ years; $PBP_B = 2.625$ years; $NPV_A = Rs. 2,189.3$; $NPV_B = Rs. 2,648.4$

9. 2068 Q.No. 8

Net cash flows of a machine are as under:

Years	1	2	3	4	5
Net cash flows (Rs.)	10,000	12,000	16,000	0	15,000

The cost of the project is Rs. 30,000 and cost of capital is 10%

Required: a. Payback period b. Net present value c. Profitability index.

[3+4+3]

Ans: (a) 2.5 years (b) Rs. 10,342.10

10. 2067 Q.No. 8

A company is considering the purchases of a machine. Two machines are available in the market, each costing Rs. 25,000. Each machine has an expected life of 5 years. The cost of capital is 10%. Net cash flows during the expected life of the machines are:

Year	1	2	3	4	5
Machine I (Rs.)	9,000	8,000	7,000	6,000	5,000
Machine II (Rs.)	7,000	7,000	7,000	7,000	7,000

Required: Which machine should be purchased according to Net Present Value method? [5]

Ans: Net present value of Machine I = Rs. 2,254.70 and Machine II = Rs. 1,534.90; Since NPV of Machine I > Machine II. So, Machine I should be purchased.

UNIT 8: BASICS OF WORKING CAPITAL

THEORETICAL QUESTIONS

1. 2073 Q.No. 9a

Define working capital. Differentiate between gross concept and net concept of working capital. [5]
कार्यशील पूँजीलाई परिभाषित गर्नुहोस् । साथै कार्यशील पूँजीको कुल धारणा र खुद धारणाबीच फरक छुट्याउनुहोस् ।

2. 2072 Q.No. 9a

State the importance of working capital. [5]
कार्यशील पूँजीको महत्त्वहरू उल्लेख गर्नुहोस् ।

3. 2072 Set E Q.No. 9a

State any five determinants of investment in working capital. [5]

कार्यशील पूँजी लगानीका कुनै पाँच निर्धारक तत्वहरू उल्लेख गर्नु होस् ।

4. 2071 Supp Q.No. 9a

What do you understand by permanent working capital and variable working capital? Write in brief with definition. [5]

स्थायी कार्यशील पूँजी र अस्थायी कार्यशील पूँजी भन्नाले के बुझ्नु हुन्छ? परिभाषा सहित छोटकरीमा लेख्नु होस् ।

5. 2071 Q.No. 9b

What do you mean by permanent and variable working capital? Write in brief. [5]

स्थायी र परिवर्तनशील चालु पूँजी भन्नाले के बुझ्नुहुन्छ? छोटकरीमा उल्लेख गर्नुहोस् ।

6. 2070 Q.No. 9a

What is net working capital? Write about its importance. [5]

खुद कार्यशील पूँजीको अर्थ के हो? यसको महत्त्वबारे लेख्नुहोस् ।

7. 2069 Supp Q.No. 9

What is the difference between gross and net working capital? Also write the determinants of working capital in an enterprise. [4+4+2=10]

कुल र खुद चालु पूँजीका फरकहरू के के हुन्? चालु पूँजी निर्धारणमा प्रभावित गर्ने तत्वहरूको बारेमा लेख्नुहोस् ।

8. 2069 Q.No. 9a

State the importances of working capital. [5]

कार्यशील पूँजीको महत्त्वहरू उल्लेख गर्नुहोस् ।

9. 2068 Q.No. 9a

Write in brief about the importance of working capital. [5]

चालु पूँजीको महत्त्वबारे छोटकरीमा लेख्नुहोस् ।

10. 2067 Q.No. 9a

What is Working Capital? Differentiate between gross concept and net concept of Working Capital? [3+2]

कार्यशील पूँजी भन्नाले के बुझ्नुहुन्छ? कुल धारणा र खुद धारणाको कार्यशील पूँजीमा भिन्नता छट्याउनुहोस् ।

NUMERICAL PROBLEMS**11. 2073 Q.No. 9b**

The information pertaining to working capital are as under:

Annual credit sales: Rs. 25,20,000

Cost of sales : 70%

Average inventory: Rs. 70,000

Average receivable: Rs. 91,000

Account payable: Rs. 39,200

Days in a year: 360 days

Required:

a. Inventory conversion period b. Receivable conversion period c. Payable deferred period [1+2+2=5]

Ans: (a) 14.29 ≈ 14 days (b) 13 days (c) 8 days

12. 2072 Q.No. 9b

A company produces 1,000 units a day and incurs a cost of Rs.72 per unit for material, labour and other expenses. The different conversion cycle of the working capital are as under:

Inventory conversion period 18 days

Receivable conversion period 36 days

Payable deferred period 12 days

Required:

a. Cash conversion cycle period b. Accounts receivable c. Working capital [1+2+2=5]

Ans: (a) 42 days; (b) Rs 36,00,000 (selling price per unit Rs 100); (c) Rs 30,24,000

13. 2072 Set E Q.No. 9b

The following information are provided pertaining to working capital:
 Inventory conversion period 30 days
 Receivable conversion period 18 days
 Payable deferral period 12 days
 Annual credit sale Rs. 18,00,000
 Days in year 360 days

Required:

- i. Cash conversion cycle period ii. Account receivable
 iii. Working capital

[1+2+2]

Ans: (i) 36 days (ii) Rs. 90,000 (iii) Rs. 180,000

14. 2071 Supp Q.No. 9b

The sales of a company is Rs. 7,20,000. Variable cost per unit is Rs. 10. The components of cash flow cycle are:

Inventory conversion period: 30 days
 Receivable conversion period: 16 days
 Payable deferred period: 10 days
 Assume 360 days in a year

Required:

- a. Cash conversion cycle period b. Working capital requirement

[5]

Ans: (a) 36 days (b) Rs. 72,000

15. 2071 Q.No. 9a

The information regarding working capital are as under:

Inventory conversion period	40 days
Receivable conversion period	20 days
Payable deferred period	10 days
Days in year	360 days
Annual credit sale	Rs. 72,00,000
Manufacturing cost per day	Rs. 12,000

Required:

- a. Cash conversion cycle period b. Working capital

[2 + 3=5]

Ans: (a) 50 days (b) Rs. 600,000

16. 2070 Q.No. 9 b

Biratnagar biscuit factory has an inventory turnover of 2.4 times, a receivables collection period of 76 days and a payable deferred period of 60 days. Assume 360 days a year.

- a. What is the length of the cash conversion cycle?
 b. If company's annual sales are Rs. 6.75 million and 80% sales are on credit, what is the firm's investment in account-receivable?

[2.5+2.5=5]

Ans: (a) 166 days (b) Rs. 11,40,000

17. 2069 Q.No. 9b

The following information are provided

Sale per day	: 5,000 units
Selling price per unit	: Rs. 10
Inventory conversion period	: 20 days
Receivable conversion period	: 30 days
Payable deferred period	: 10 days

Required:

- a. Cash conversion cycle period b. Working capital

[5]

Ans: (a) 40 days (b) Rs. 5,555.56

18. 2068 Q.No. 9b

Following information are provided:

Inventory conversion period	40 days.
Receivable conversion period	30 days.

Payable deferred period	15 days.
Annual sales (360 days)	Rs. 72,000
Variable cost per unit	Rs. 20

Required:

- a. Cash conversion cycle period. b. Working capital amount. [2+3]

Ans: (a) 55 days (b) Rs. 11,000

19. 2067 Q.No. 9b

The following information has been submitted by a trading concern:

- Projected Annual Sales 3600 unit @ Rs. 50 each. The percentage of profit on sale is 20%
- Average credit period allowed to customer 2 months.
- Average credit period allowed by supplier 3 months.
- Average stock holding in terms of sales requirement 2 months.

Required: Determine Working Capital amount.

[5]

Ans: Rs 12,000

UNIT 9: MANAGING CURRENT ASSETS

A. CASH AND MARKETABLE SECURITIES

THEORETICAL QUESTIONS

1. 2073 Q.No. 10

Write about the importances of Cash Budget.

[5]

नगद बजेटको महत्ववारे लेख्नुहोस् ।

2. 2072 Q.No. 10

Clarify the meaning of cash budget with suitable example.

[5]

उपयुक्त उदाहरणसहित नगद बजेटको अर्थ प्रष्ट्याउनुहोस् ।

3. 2072 Set E Q.No. 10

Briefly write the motives of holding cash by a firm.

[5]

संगठनले नगद राख्नुको उद्देश्यहरु छोटकरीमा लेख्नुहोस् ।

4. 2071 Supp Q.No. 10

Write the meaning of cash budget. Write any three importances of cash budget. [2+3=5]

नगद बजेटको अर्थ लेख्नुहोस् । नगद बजेटको कुनै तीन महत्वहरू उल्लेख गर्नुहोस् ।

5. 2069 Q.No. 10

State the importances of cash budget.

[5]

नगद बजेटको महत्वहरू उल्लेख गर्नुहोस् ।

6. 2068 Q.No. 10

What do you understand by inflow and outflow of cash? Explain.

[5]

नगदको अन्तर प्रवाह र बाह्य प्रवाह भन्नाले के बुझ्नुहुन्छ ? व्याख्या गर्नुहोस् ।

NUMERICAL PROBLEMS

7. 2070 Q.No. 11

The sales and purchase figures of a company for recent month and expected for the next month are as follows: [10]

Sales	Rs.	Purchase	Rs.
Baishakh	2,00,000	Jestha	1,75,000
Jestha	3,00,000	Ashadh	3,00,000
Ashadh	3,50,000		

Credit sales are 80% of total sales, 50% credit sales are collected in the following month and the balance 50% in the next following month of sales. All purchases are credit purchase payable in the following month of purchase. Bank loan due for Ashadh Rs. 60,000 and interest due is Rs. 6,000. Wage due for Ashadh payable month Rs. 50,000 and other expenses due and payable in Ashadh Rs. 60,000. Cash balance on 31 Jestha Rs. 50,000.

Required: Cash budget for the month Ashadh

[5]

8. 2069 Supp Q.No. 11

A trading company prepares business budget to exercise control over operations. The sales and purchase figures for recent month and expected for next month are follows: [7]

Sales	Rs.	Purchase	Rs.
Baisakh	2,00,000	Jestha	175,000
Jestha	3,00,000	Ashad	3,00,000
Ashad	3,50,000		

Credit sales are 80% of total sales, 50% credit sales are collected in the following month and the balance 50% in the next following month of sales. All purchases are credit purchase payable in the following month of purchase. Bank loan due for Ashad is Rs 60,000 and interest due is Rs 6,000. Depreciation for Ashad is Rs 10,000. Wages due for Ashad but payable in next month is Rs 50,000 and other expenses due and payable in Ashad is Rs 60,000. Cash balance on 31st Jestha Rs 50,000.

Required: Cash budget for the month of Ashad.

9. 2067 Q.No. 11

A company Ltd. provides the following information:

Months	Sales (Rs.)	Wages (Rs.)	Purchases (Rs.)	Other Expenses (Rs.)
Posh	70,000	22,000	44,000	6,000
Magh	88,000	20,000	44,000	8,000
Falgun	84,000	20,000	44,000	6,000
Chaitra	80,000	18,000	36,000	4,000

Additional Information:

- 20% of sales are for cash. 50% of the remaining is collected in same month and balance after one month.
- 20% of purchases are cash and remaining are paid after on month.
- Wages and other expenses are paid in same month.

Required: Cash Budget for three months Magh, Falgun and Chaitra. [10]

Ans: Ending cash balance = Rs 8,800; Rs 24,400 and Rs 41,600

B. RECEIVABLES MANAGEMENT

THEORETICAL QUESTIONS

1. 2070 Q.No. 10

What is receivable? State the elements affecting the receivable. [2+3=5]

प्राप्य के हो ? यसलाई प्रभाव पार्ने तत्वहरू लेख्नुहोस् ।

2. 2069 Supp Q.No. 10

What do you mean by days sales outstanding? Why is it important? [5]

दिवसी दिन बक्यौता भन्नाले के बुझिन्छ ? किन यसको महत्व छ ?

NUMERICAL PROBLEMS

3. 2073 Q.No. 12

The following information are given:

Selling price per units: Rs 200

Credit sales 1,900 units

Credit term: '2/20, net 30'

Discount taking customers: 70%

Days in year: 360 days

Required:

- Days sales outstanding
- Average receivable
- Average receivable if non discounted customers pay in 40th day.

[2 + 3 + 5 = 10]

Ans: (a) 23 days (b) Rs. 24,277.78 (c) Rs. 27,444.44

4. 2072 Q.No. 11

A firm sells on a term of '3/20 net 40'. The credit sale of the firm is 20,000 units with Rs.360 per unit. 50% of the customers pay on the 20th day and take discount and other 50% customers pay on an average of 40 days.

Required:

[3+3+4=10]

- a. Days sales outstanding b. Average amount receivable
c. Days sales outstanding if non-discounted customers pay in 50th day
Ans: (a) 30 days; (b) Rs 600,000; (c) 35 days

5. 2072 Set E Q.No. 11

The following information are available regarding the receivable:

Annual sale- 36000 units @ Rs. 40 each.

Credit term - '3/20 net 50'

Discount taking customers - 80%

Days in year- 360 days

Required:

[3+3+4]

- a. Days sales outstanding b. Average amount of receivables
c. Days sales outstanding if non-discounted customers pay on 60th day.
Ans: (a) 26 days (b) Rs. 104,000 (c) 28 days

6. 2071 Supp Q.No. 11

A company Ltd. sells on the term of '2/10 net 30'. The other information are as under:

Annual sales Rs. 6,00,000

Annual credit sales 60%

Discount taking customers 40%

Days in a year 360 days

Required :

[3+3+4=10]

- a. Days sales outstanding b. Average daily sales c. Average account receivable
Ans: (a) 22 days (b) Rs. 1666.67 (c) Rs. 22,000

7. 2071 Q.No. 12

The term of sales a firm is 5/20, net 30. The firm made a credit sale of 4000 units at Rs. 50 per unit. Under this policy 40% customers pay on 20th day taking discount and the rest pay on final date.

Required:

[2+2+1=5]

- a. Days sales outstanding b. Average daily sales c. Average account receivable
Ans: (a) 26 days (b) Rs. 555.56 (c) Rs. 14,444.56

8. 2069 Q.No. 12

The following information are provided:

Days sales outstanding : 29 days

Annual sales : 20,000 units

Selling price per unit : Rs. 25

Required:

- a. Average daily sales b. Average accounts receivable [2.5+2.5=5]
Ans: (a) Rs. 1,388.89 (b) Rs. 40,277.78

9. 2068 Q.No. 11

A company has daily sales outstanding of 20 days. Average credit sales is Rs. 5000 per day.

Required:

- a. Average account receivable b. Annual credit sales.
c. Average account receivable for 10 days daily sales outstanding. [4+3+3]
Ans: (a) Rs. 100,000 (b) Rs. 18,25,000 (c) Rs. 50,000

10. 2067 Q.No. 12

A firm has credit sale of 10,000 units of commodity for Rs. 50 per unit. The terms of credit sales are to pay within 50 days and any customer paying till 20th day will receive a 3% cash discount. Further assume that its 70% credit customers are paying on 20th day taking discount and the 30% customers are paying on the final due date.

Required:

[2+2+1]

- a. Days sales outstanding b. Average daily sales c. Average account Receivable
Ans: (a) 29 days (b) Rs 1,388.89 (c) Rs 40,277.78

C. INVENTORY MANAGEMENT

THEORETICAL QUESTIONS

1. 2071 Q.No. 10

State the reasons for holding adequate inventory.

पर्याप्त मौज्जात राख्नुको कारणहरु उल्लेख गर्नुहोस् ।

[5]

2. 2067 Q.No. 10

State the objectives of inventory management:

मौज्जात व्यवस्थापनका उद्देश्यहरु लेख्नुहोस् ।

[5]

NUMERICAL PROBLEMS

3. 2073 Q.No. 11

The detail for materials purchases are given below:

Annual requirement: 20,000 units

Cost per order: Rs. 400

Carrying cost : 10%

Cost per units : Rs.40

Required:

a. Economic order quantity

b. Total cost of Economic order quantity

[5]

Ans: (a) 2000 units (b) Rs. 8000

4. 2072 Q.No. 12

The material purchase information of a firm are as under:

Annual requirement: 40,000 units

Ordering cost per order: Rs.100

Purchase price per unit: Rs.100

Carrying cost per unit: 10% of unit value

Required:

a. Economic Order Quantity

b. Number of Economic Order Quantity

[2+1+2=5]

c. Total cost of EOQ

Ans: (a) 894 units; (b) 45 times; (c) Rs 8944.2

5. 2072 Set E Q.No. 12

The following information are provided:

Annual consumption 60,000 units

Purchasing price Rs. 20 per unit

Carrying cost 20% of unit cost

Ordering cost Rs. 300

Required: Economic order quantity by using tabulation method

[5]

Ans: 3,000 units

6. 2071 Supp Q.No. 12

The following information are provided

Annual consumption	50,000 units	Carrying cost per-unit	10%
Purchasing price per unit	Rs.100	Ordering cost per order	Rs.900

Required: Economic-order quantity by using table method.

[5]

Ans: EOQ = 3,000 units

7. 2071 Q.No. 11

The details for materials purchases are as given below:

Annual requirement	4,500 units	Cost per order	Rs. 300
Cost per unit	Rs. 150	Carrying cost	20%
Safety stock	200 units	Lead time	2 weeks
Weeks in a year	50 weeks		

Required:

[3+4+3=10]

a. Economic order quantity

b. Total Cost of EOQ

c. Re-order point

Ans: (a) 300 units (b) Rs. 9,000 (c) 380 units

8. 2070 Q.No. 12

The following information are provided:

Ordering cost per order	Rs. 30	[5]
Carrying cost per carton	Rs. 1.50	
Required paper per month	1000 carton	

Required: Economic order quantity by using tabulation method.

Ans: 692.82 or 693 Carton

9. 2069 Supp Q.No. 12

Khanal Fertilizer Company sells, 2,40,000 bags of fertilizer annually, the optimal safety stock required initially in hand is 1200 bags. Each bag cost Rs. 4, inventory carrying cost is 0.80 paisa per bag, and the placing on order with its supplier is Rs. 25.

Required:

- Economic ordering quantity?
- Average and maximum level of inventory.
- Total cost of having inventory
- Re-order level of inventory assume lead time 4 days and 360 days year. [8]

Ans: (a) 3,873 bags, (b) 3,137 bags, 5073 bags, (c) Rs. 4,058.39 or Rs. 3,098.39 (d) 3,867 bags

10. 2069 Q.No. 11

The following information are provided:

Annual requirement	: 80,000 units
Purchasing price per unit	: Rs. 20
Carrying cost per unit	: 20% of purchasing price
Ordering cost per order	: Rs. 400

Required: Economic order quantity by using formula method and tabular method [4+6=10]

Ans: 4,000 units

11. 2068 Q.No. 12

Following information are provided:

Annual sales	25,000 units
Carrying cost per unit	10% of the purchasing price
Purchasing price per unit	Rs. 3
Ordering cost per order	Rs. 150

Required: Economic Order Quantity by applying tabulation method. [5]

Ans: 5,000 units

UNIT 10: DIVIDEND**1. 2073 Q.No. 13**

State any five factors that affects dividend decision. [5]

लाभांश सम्बन्धी निर्णयमा प्रभाव पार्ने कुनै पाँच वटा तत्वहरू वर्णन गर्नुहोस् ।

2. 2072 Q.No. 13

Briefly write the different forms of dividend. [5]

लाभांशका विभिन्न स्वरूपहरूका बारेमा छोटकरीमा लेख्नुहोस् ।

3. 2072 Set E Q.No. 13

Write in brief about the procedure of dividend payment. [5]

लाभांश भुक्तानी प्रक्रियाहरूबारे छोटकरीमा लेख्नु होस् ।

4. 2071 Supp Q.No. 13

Define stock dividend and cash dividend. Why do the company pay stock dividend? [2+3]

शेयर लाभांश र नगद लाभांशको परिभाषा लेख्नु होस् । कम्पनीले शेयर लाभांश किन तिर्छ ?

5. 2071 Q.No. 13

What do you understand by dividend? Also mention the constraints in paying dividend. [2+3=5]

लाभांश भन्नाले के बुझ्नुहुन्छ ? साथै लाभांश वितरणका बन्देजहरू उल्लेख गर्नुहोस् ।

6. 2070 Q.No. 13

What do you know by dividend? What are the constraints in paying cash dividend? [2+3=5]

लाभांश भन्नाले के बुझ्नु हुन्छ ? नगद लाभांश प्रदान गर्नुमा बाधकहरू के के हुन् ?

7. 2069 Supp Q.No. 13

What are the different forms of dividend? Write in brief. [5]

लाभांश कति प्रकारका छन् ? छोटकरीमा लेख्नुहोस् ।

8. 2069 Q.No. 13

Write in brief about the factors influencing dividend decision. [5]

लाभांशसम्बन्धी निर्णयलाई प्रभाव पार्ने तत्वहरूको बारे छोटकरीमा लेख्नुहोस् ।

9. 2068 Q.No. 13

State the meaning of dividend? Write in brief about cash dividend and stock dividend. [2+3]

लाभांशको अर्थ खुलाउनुहोस् । नगद लाभांश र शेयर लाभांशको बारेमा छोटकरीमा लेख्नुहोस् ।

10. 2067 Q.No. 13

What are the basic factors, which should be considered by board of directors (BOD) before the declaration of dividends? Write in short. [5]

लाभांश वितरण पूर्व बोर्डका निर्देशकहरूले कुन-कुन कुरामा ध्यान पुऱ्याउनु पर्दछ ? छोटकरीमा लेख्नुहोस् ।

UNIT 11: MULTINATIONAL FINANCE

1. 2073 Q.No. 14

Write short notes on: [2.5×4=10]

- Multinational Corporation (बहुराष्ट्रिय निगम)
- Cross rate (भावी दर)
- Exchange rate (विनिमय दर)
- Domestic financial management (स्वदेशी वित्तीय व्यवस्थापन)

2. 2072 Q.No. 14

a. Difference between multi-national and domestic financial management. [5]

बहुराष्ट्रिय र स्वदेशी वित्तीय व्यवस्थापन बीच भिन्नता

b. Direct and Indirect Quotation Exchange Rate. [5]

प्रत्यक्ष र अप्रत्यक्ष मूल्य सूची विनिमय दर

3. 2072 Set E Q.No. 14

Write short notes on:

a. Trading in foreign exchange (वैदेशिक विनिमय व्यापार) [5]

b. Exchange rate (विनिमय दर) [5]

4. 2071 Supp Q.No. 14

Write short notes on

ii. Exchange rate (विनिमय दर) [3]

iii. Cross rate (छड्के दर) [4]

5. 2071 Q.No. 14

a. Differentiate between multinational and domestic financial management. [5]

बहुराष्ट्रिय र स्वदेशी वित्तीय व्यवस्थापनको बीचमा भिन्नता देखाउनुहोस् ।

b. Define spot rate & cross rate with suitable examples. [5]

उपयुक्त उदाहरणसहित तत्कालीन दर र भावी दर परिभाषित गर्नुहोस् ।

6. 2070 Q.No. 14a

a. What is multinational corporation? [5]

बहुराष्ट्रिय निगम भन्नाले के बुझ्नुहुन्छ ?

b. Write short notes on multinational Vs domestic financial management. [5]

बहुराष्ट्रिय निगम Vs. स्वदेशी वित्तीय व्यवस्थापनबारेमा छोटो टिप्पणी लेख्नुहोस् ।

7. 2069 Supp Q.No. 14

What is Multinational Company? Also differentiate between multinational and domestic financial management. [10]

बहुराष्ट्रिय संस्थान भन्नाले के बुझ्नु हुन्छ लेख्नुहोस् । बहुराष्ट्रिय वित्तीय व्यवस्थापन र स्वदेशी वित्तीय व्यवस्थापनमा भिन्नता छुट्याउनुहोस् ।

8. 2069 Q.No. 14

What do you mean by multinational company? Distinguish between multinational financial management and domestic financial management. [5+5]

बहुराष्ट्रिय निगम भन्नाले के बुझ्नुहुन्छ ? बहुराष्ट्रिय र स्वदेशी वित्त व्यवस्थापनमा फरक छुट्याउनुहोस् ।

9. 2068 Q.No. 14

a. What do you understand by Multinational Corporations and Domestic financial management? [10]

बहुराष्ट्रिय संस्थान र स्वदेशी वित्तीय व्यवस्थापन भन्नाले के बुझ्नुहुन्छ ?

b. Differentiate between spot and future rate.

[5+5]

प्रचलित दर र भविष्य दरमा भिन्नता देखाउनुहोस् ।

10. 2067 Q.No. 14

a. Write what do you know about multinational corporation.

बहुराष्ट्रिय संस्थान भन्नाले के बुझ्नुहुन्छ ? लेख्नुहोस् ।

b. Write short notes on Cross Rate of Exchange Rate.

[5+5]

विनिमय दर अन्तर्गत छड्के दर वारेमा छोटो टिप्पणी लेख्नुहोस् ।

Question Bank Nepal