

**MEPL CLASSES  
CS PROFESSIONAL**

**CORPORATE FINANCE – CH 14**

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(TIME ALLOTTED – 90 MINUTES)

(MARKS ALLOTTED – 50 MARKS)

EACH QUESTION CARRIES 5 MARKS

**Question 1.**

In the Board Meeting of Heaven Limited the directors were discussing on the advantages and disadvantages of Hire Purchase Financing. You are the Company Secretary of the company and was asked by the Board to prepare an Advisory Note, briefing the Board about what Hire Purchase Finance is and how it is different from Project Finance.

**Question 2.**

Distinguish between pre and post shipment credit in export financing. Explain with examples.

**Question 3.**

What are the factors to be taken into account for credit appraisal?

**Question 4.**

What is factoring. What are the advantages of factoring to a seller?

**Question 5.**

What is working capital cycle? Calculate the working capital cycle of the manufacturing company Classic Ltd as on 31.3.24 with the data given below. (₹ in lakh)

| Particulars                    | Position as on<br>31.03.23 | Position as on<br>31.03.24 |
|--------------------------------|----------------------------|----------------------------|
| Inventory                      | 6                          | 4                          |
| Bookdebts                      | 20                         | 24                         |
| Sales (mark up 33.33% on cost) | 150                        | 200                        |
| Cash sales                     | 10                         | 24                         |

**Note:**

1. All purchases on cash terms. 2. Year may be taken as 360 days for the purpose of calculation.

## Question 6.

ABC Ltd has an outstanding bank guarantee of ₹ 425 lakh as per the Audited Balance Sheet of March 31, 2023. During the year 2023-24, the Company availed an additional bank guarantee of ₹ 150 lakh. The Company needs an additional bank guarantee of ₹ 850 lakh in December 2023 to meet its one-time requirement. The bank guarantees maturing and cancelled by December 2023 are worth ₹ 300 lakh and ₹ 180 lakh respectively. The Bank guarantees cancelled during the year are worth ₹ 200 lakh. The Company has ₹ 950 lakh as its sanctioned Bank Guarantee Limit.

Given these circumstances, you are required to assess whether the company should enhance its bank guarantee or if the existing bank guarantee will suffice to cover the additional requirement of ₹ 850 lakh.

## Question 7.

Balance sheet of GKJ Ltd. for the year ended 31st March, 2024 is given below :

| Liabilities                  | Amount<br>(₹ lakh) | Assets         | Amount<br>(₹ lakh) |
|------------------------------|--------------------|----------------|--------------------|
| Equity Share ₹ 10 each       | 200                | Fixed Assets   | 500                |
| Retained Earnings            | 200                | Raw Materials  | 150                |
| 11% Debentures               | 300                | W.I.P.         | 100                |
| Public Deposits (Short-term) | 100                | Finished goods | 50                 |
| Trade Creditors              | 80                 | Debtors        | 125                |
| Bills Payable                | 100                | Cash/Bank      | 55                 |
|                              | 980                |                | 980                |

Calculate the amount of maximum permissible bank finance under three methods as per Tandon Committee lending norms. The total core current assets are assumed to be 30 lakh.

## Question 8.

Differentiate between Buyer's Credit and Supplier's Credit.

## Question 9.

What do you mean by "Green Debt Securities"

## Question 10.

Galaxy Ltd. is a newly incorporated company and it would like to purchase raw materials from domestic sources as well as from other countries under Letter of Credit (LC). On the basis of the following information, calculate the limit for Letter of Credit (LC) for the Financial Year 2024-25 :

|  |                |
|--|----------------|
| (i) Estimated Raw Material purchase for FY 2024-25                       | ₹ 480 crore    |
| (ii) Estimated purchase under Letter of Credit (LC) for FY 2024-25 (90%) | ₹ 432 crore    |
| (iii) Of which import of Raw Material under Letter of Credit (30%)       | ₹ 129.60 crore |
| (iv) Lead Time :   |                |
| Domestic   | 1.5 months     |
| Import   | 2.5 months     |
| (v) Transit Time :   |                |
| Domestic   | 1.5 months     |
| Import   | 2.5 months     |
| (vi) Credit (Usance) Period available :                                  |                |
| Domestic   | 2 months       |
| Import   | 5 months       |