

As capital expenditure in research and development, the proposal would attract 100 per cent write-off for tax purposes. The gains arising from disposal of used assets may be considered tax free. The effective tax rate is 35 per cent. The average cost of capital of the company is 12 per cent. After appropriate analysis of cash flows, advise the company of the financial viability of the proposal.

OR

- B. (a) What is financial distress? How does it affect the value of the firm?
 (b) What do you mean by optimum capital structure? What are the features of an appropriate capital structure?

- V. A. From the following data, calculate the cost per operating kilo-meter of a vehicle :

	(Rs.)
Driver's wages per month	50,000.00
Cost of diesels per litre	40.00
Mobil oil per litre	400.00
Cleaning, servicing per year	10,000.00
Insurance charges per year	10,000.00
Road tax per year	14,000.00
Repairs and Maintenance including tyres, tubes etc. per year	30,000.00
Diesel – Kilometer per litre	5.00
Mobil oil – Kilometer per litre	100.00
Cost of vehicle	15,00,000.00
Estimated life	5 years
Residual value	50,000.00
Interest on capital (Average)	8%
Estimated annual run	40,000 Kilometers

OR

- B. (a) A company runs a canteen for the benefit of employees and the employees are catered here at subsidized rates through coupon sales. From the following information calculate the increase in subsidy per head this month over that in the same month last year.

	November (2009)	November (2008)
(i) Number of employees	4,000	3,500
(ii) Sales realization through coupons	35,000.00	30,000.00
(iii) Materials consumed	30,000.00	25,000.00
(iv) Labour and supervision	20,000.00	16,000.00
(v) Overheads	29,000.00	24,000.00

- (b) Give the specimen of daily log sheet in case of motor transport.
