

61

D4BBH2201

(PAGES 3)

Reg.No.....

Name:

FOURTH SEMESTER BBA DEGREE EXAMINATION, APRIL 2024

(Regular/Improvement/Supplementary)

HONOURS

GBAH4B15T: CORPORATE FINANCE

Time: 3 Hours

Maximum Marks: 80

PART A: Answer the following questions. Each carries *one* marks.

Choose the correct answer.

1. Which provides money its time value?
a) Investment. b) Interest Rates. c) Market Rates. d) Call Rates.
2. Which of the following options is a part of the Capital Structure of a company?
a) Short-term borrowings. c) Accounts payable.
b) Equity shares. d) None of the above.
3. Management, which is experienced and very enterprising, does not hesitate to use more.
a) Debt. b) Earnings. c) Equity. d) None of these.
4. Which of the following is a risk factor in capital budgeting?
a) Industry specific risk factors. c) Competition risk factors.
b) Project specific risk factors. d) All of the above.
5. All of the following influence capital budgeting cash flows EXCEPT:
a) Accelerated depreciation. c) Salvage value.
b) Tax rate changes. d) Method of project financing used.

Fill in the Blanks.

6. The investment decisions should aim at investment in assets only when they are expected to earn a return greater than a minimum acceptable return is termed as
7. Money/asset left after the completion of a project is called
8. is the ratio between owned fund and borrowed fund.
9. In risk adjusted method, the normal discount rate is
10. is a payment of additional shares to shareholders in lieu of cash.

(10 x 1 = 10 Marks)

(PTO)

PART B: Answer any *eight* question. Each carries *two* marks.

11. Discuss the difference between money and finance.
12. What are the functions of a Treasurer?
13. Explain the concept of interest rate and its type.
14. State the syntax of present value and future value function in Excel.
15. What is IRR?
16. Explain Profitability Index.
17. List out the types of debentures.
18. What is unlevered firm?
19. Write a short note on: Risk adjusted discount rate.
20. How standard deviation (i.e. risk) and coefficient of variance of project is calculated in capital budgeting?

(8 x 2 = 16 Marks)

PART C: Answer any *six* questions. Each carries *four* marks.

21. Define the scope of financial management.
22. What is wealth maximization? How is it different from profit maximization?
23. Avinash wants to invest @ 8% p.a. compound interest, a such amount as will amount to Rs. 50,000 at the end of three years. How much should he invest?
24. Suppose you deposit ₹ 2,500 at the beginning of every year for 6 years in SB account at 6 % compound interest. What will be your money value after 6 years?
25. What is the importance of capital budgeting for a company?
26. Estimate payback period for a project with initial investment ₹10,000 and expected future cash inflows of 2,000, 4,000, 3,000, 2,000 in 1,2,3 and 4 years respectively.
27. The Modigliani-Miller Approach is identical to NOI approach when there are no corporate taxes. Elucidate.
28. X Ltd. is considering to start a new project for which it has gathered following data:

Cash flow	Probability
30,000	0.1
60,000	0.4
1,20,000	0.4
1,50,000	0.1

Calculate the expected cash flow.

(6 x 4 = 24 Marks)

PART D: Answer any two questions. Each carries fifteen marks.

29. XYZ Ltd. sells its products on a gross profit of 20% of sales. The following information is extracted from its annual accounts for the year ending 31st March, 2023.

Sales (at 3 months credit) Rs. 40,00,000

Raw Materials 12,00,000

Wages (15 days in arrears) 9,60,000

Manufacturing and General expenses (1 months in arrears) 12,00,000

Administration expenses (1 month in arrears) 4,80,000

Sales Promotion expenses (payable half yearly in advance) 2,00,000

The company enjoys one months credit from the suppliers of raw materials and maintains 2 months stock of raw materials and 1 ½ months finished goods. Cash balance is maintained at Rs. 1,00,000 as a precautionary balance. Assuming a 10% margin, find out the working capital requirement of XYZ Ltd.

30. Two companies, A and B are in the same business and hence similar operating risks.

However, the capital structure of each of them is different. The following are the details:

Particulars	A (Rs.)	B (Rs.)
Equity Share Capital (face value Rs.10)	5,00,000	2,50,000
Market value per share	12	20
Dividend per share	2.88	4.00
Debentures	2,50,000	1,00,000
Market value per debenture	80	125
Interest Rate	8	10

Assume that current levels of dividends are generally expected to continue indefinitely and the income tax rate is 35 percent. Compute the Weighted Average Cost of capital of each company.

31. Raja company earns a rate of 12% on its total investment of Rs. 6,00,000 in assets. It has 6,00,000 outstanding common shares at Rs. 10 per share. Discount rate of the firm is 10% and it has a policy of retaining 40% of the earnings. Determine the price of its share using Gordon's Model. What shall happen to the price of the share if the company has payout of 60% (or) 20%?

(2 x 15 = 30 Marks)