Name: ....

FOURTH SEMESTER UG DEGREE EXAMINATION, APRIL 2025

(Regular/Improvement/Supplementary)

BBA HONOURS

GBAH4B15T: CORPORATE FINANCE

Time: 3 Hours **Maximum Marks: 80**

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

Choose the correct answer.

1. In fund raising decisions, one should keep in view:
   - A. Cost of various funds and financial risk.
   - B. Advantages and disadvantages of debt component in capital mix.
   - C. Impact of taxation on EPS
   - D. All of the above.
2. Excessive investment in current assets results in
   - A. High profitability
   - B. Low profitability
   - C. High liquidity
   - D. b & c
3. Which among the following figures is not relevant while calculating the cost of the redeemable preference shares?
   - A. Earnings per share
   - B. Flotation cost
   - C. Discount
   - D. None of the above
4. The cost of capital for a firm _______.
   - A. is the return required on the total assets of a firm.
   - B. refers to the internal rate of return
   - C. varies inversely with the overall cost of debt
   - D. None of the above
5. To increase a given present value, the discount rate should be adjusted
   - A. Upward
   - B. Downward
   - C. No change.
   - D. Constant

Fill in the blanks.

6. A stream of equal periodic cash flows is called ________.
7. __________ is the rate of return for the most viable investment opportunity for a company that they will forgo by selecting any other project.
8. Risk in Capital budgeting implies that the decision-maker knows ________ of the cash flows.

(PTO)

9. During inflationary period the risk free interest rate will be __________.
10. The repurchase of stock is considered _________ decision rather than ________ decision.

(10 x 1 = 10 Marks)

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

11. Comment on the wealth maximization objective.
12. Mention the long-term sources of finance.
13. What are annuities and its types?
14. If a company offers to double the amount in 8 years what will be the effective interest rate applied in the deal?
15. Explain the concept of working capital cycle.
16. Define working capital.
17. Cost of capital computation is based on certain assumptions. Discuss.
18. Explain various approaches for calculation of cost of equity.
19. How expected cash flow are calculated by assigning probabilities to estimated cash flows in capital budgeting?
20. Write a short note on Certainty Equivalent approach.

(8 x 2 = 16 Marks)

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

21. Should the titles of controller and treasurer be adopted under Indian context? Would you like to modify their functions in view of the company practices in India? Justify your opinion.
22. Critically evaluate various approaches to the financial management.
23. What is the present value of the following cash stream if the discount rate is 12%?

Year	0	1	2	3	4
Cash Flow	5000	6000	8000	10000	12000

24. Calculate the amount that you would have at the end of two years if you deposited ₹100 at 8 percent interest compounded semi-annually and quarterly.
25. Write notes on different types of Working Capital.
26. State the reasons that make working capital management as an important function of the financial manager.

27. ABC Ltd. has the following capital structure:

Equity (expected dividend 12%) Rs. 10,00,000

10% Preference Rs. 5,00,000

8% Loan Rs. 15,00,000

You are required to calculate the weighted average cost of capital, assuming 50% as the rate of income tax, before and after tax.

28. Explain the concept of sensitivity analysis. How it can take care of risk and uncertainty in capital investment decisions?

(6 x 4 = 24 Marks)

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

29. Which project will be selected under NPV and IRR?

	A (Rs.)	B (Rs.)
Cash outflow	2,00,000	3,00,000
Cash inflows at the end of		
1 Year	60,000	40000
2 Year	50,000	50,000
3 Year	50,000	60,000
4 Year	40,000	90,000
5 Year	30,000	1,00,000

30. ABC Ltd. has a capital structure (all Equity) of ₹5 Lakhs as shares of ₹10 face value. In order to raise an additional capital of ₹2,50000 the firm has four alternative plans. The firm is able to earn an operating profit of ₹80000 after the additional investment and tax rate of 50%. Choose the preferable financial plan from the given alternatives.

Raise entire amount through equity.

50% debt capital with 10% interest and 50% through equity.

Raise entire amount through 12% debentures.

50% preference capital with 10% dividend and 50% through equity.

31. The earnings per share of a company are Rs. 80 and the rate of capitalization applicable to the company is 12%. The company has before it an option of adopting a payment ratio of 25% (or) 50%(or) 75%. Using Walter's formula of dividend payout, compute the market value of the company's share of the productivity of retained earnings (i) 12% (ii) 8% (iii) 5%.

(2 x 15 = 30 Marks)