SYBMS / Paper / Subject Code: 80313 / FINANCE-Corporate Finance / 2

Duration-2½Hours **Max Marks-75**

NOTE: 1.Q1.is compulsory
2. Q2 to Q5 having internal options
3. Figures to the right indicate full marks.
4. State your assumptions clearly

Q1.A MATCH THE COLUMN (ANY 8 OUT OF 10). **(08)**

A	B
1. Book value	a) Accounting Period
2. Objective of Financial Management	b) Optimization of Risk
3. At indifference Point,EPS is	c) Capital Structure
4. Chit Funds	d) Contribution/EBT
5. Combined Leverages	e) Equity Shares
6. Accrual Concept	f) Regulate Capital Market
7. Risk Return trade off implies	g) FDI Prohibited
8. SEBI	h) Wealth Maximization
9. Highest Cost of Capital	i) Same
10. Combination of Debt and Equity	j) Accounting Value

Q1.B STATE WHETHER TRUE OR FALSE. (ANY 7 OUT OF 10) **(07)**

1. IRR method does not take account of the time value of money.
2. GDR means German Depository Receipt.
3. Depreciation is a Non-Cash item.
4. EBIT is also known as operating Profits.
5. An under capitalized company is the one which is highly inefficient in its operations.
6. Assets like Financial instruments and property are given as security in case of cash credits.
7. NPV does not take into account the time value of money.
8. WACC is the overall cost of Capital.
9. Public Deposits are Secured Loans from Company's perspective.
10. The maturity periods of commercial papers are generally 90 – 180 days.

Q2.A Following are the details. **(08)**

Particulars	
Variable cost per unit (Rs)	20
Fixed cost per annum (Rs)	72,000
Selling Price per unit (Rs)	60
Output Per annum(units)	6000
Interest on Debentures (Rs)	40,000

Calculate: 1.Operating Leverage and 2.Financial Leverage

Q2.(B) Following are the details of Capital Structure of Company X Ltd. **(07)**

Sources Of Funds	Book Value	Market Value	Cost of Capital After Tax
Equity Capital	40,000	38,000	5 %
Preference Capital	10,000	11,000	8%
Debentures	60,000	1,20,000	13%
Retained Earnings	20,000	--------	9 %

Calculate Weighted Average Cost of Capital using:

i. Book Value as weights
ii. Market Value as weights

OR

Q2. (P) Games Ltd has the planning expansion programme which will require Rs.30 lakhs and can be raised through one of the three following option: **(15)**

a) Issue equity shares of Rs.100 each at par
b) Raise loans at 15% Interest.
c) Issue 12% Preference shares.

Present Paid up capital is Rs.60lakhs and average EBIT is Rs.12 Lakhs. Assume Income tax at 50%.After expansion EBIT is expected to be Rs.15 Lakhs. Calculate EPS under the three Financing options. Which alternative would you suggest and why?

Q3. Ball Ltd wants to invest in a Project. Two options available are Project P and Project Q. Following are the details: **(15)**

	Project P	Project Q
Cost of Investment (Rs)	80,000	90,000
Cash flows: Year		
1	30,000	40,000
2	40,000	50,000
3	50,000	60,000
4	60,000	80,000
5	90,000	90,000

Discounting Factor 15%

Year	1	2	3	4	5
P.V 12%	0.893	0.797	0.712	0.636	0.567

Calculate Net Present Value for both the Projects and recommend which Project should be selected.

OR

Q3. Calculate IRR for Project MTNL Ltd.. **(15)**

	Rs
Cost of Investment (Rs)	7,20,000
Cash flows: Year	
1	2,90,000
2	1,30,000
3	2,80,000
4	90,000
5	2,80,000

Calculate IRR by 15% and 16%

Year	1	2	3	4	5
P.V 15%	0.870	0.756	0.658	0.572	0.497
P.V 16%	0.862	0.743	0.640	0.552	0.476

Q4. (A) Anita has invested Rs.20,000 in a scheme @12%p.a compounded quarterly. Find out what will the amount become at the end of two years. Will your answer differ if interest is compounded annually? **(08)**

Q4.(B) Find the present value of Rs.10,000 receivable 6 years hence if the rate of interest is 10%.will your answer differ if number of years is 3 years. **(07)**

OR

Q4.(P) The rate of Return of Stocks of P and Q under different states of economy are presented below with probability. **(15)**

Particulars	Boom	Normal	Recession
Probability	0.35	0.50	0.15
Rate of Return on Stock P %	20	30	40
Rate of Return on Stock Q %	40	30	20

a) Calculate expected rate of return and standard deviation of return for both the stocks.

b) If you could invest in either Stock P or Stock Q, but not in both, which stock would you prefer and why?

c) What would be your decision if Stock Q probability changes to

Particulars	Boom	Normal	Recession
Probability	0.30	0.40	0.30

Q5.(A) Define FDI. State the emerging trends in FDI in India. **(08)**

B Explain the RBI Guidelines for Public deposits **(07)**

OR

Q5.(A) Write short note on. (Any 3 out of 5). **(15)**

1. Convertible Debentures
2. Over Capitalization
3. Types of Preference Shares
4. Protection of Depositors
5. SEBI Regulations

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