S.Y.BMS Sem-III Corporate Finance (Fin)

Seat Number: - ____________

Duration: - 2 ½ Hours **53F2071123** **Marks: - 75**

Note: - A) All questions are compulsory. **B) Figures to the right indicate full marks.**

Q.1a) Select most appropriate options from the following: - (Any 8) **CO1, CO2 (U/R)** (8m)

1. Capital Budgeting is part of ______Decisions.
   a. Investing b. Operating c. Financing d. Expenditure
2. __________ regulates foreign exchange reserves of India.
   a. RBI b. NISM c. SEBI d. SBI
3. An Example of Borrowed funds is ___________.
   a. Debentures b. Equity Capital c. General Reserves d. Cash in Hand
4. Profitability Index of a project is the ratio of present value of inflows to ___________.
   a. Depreciation
   b. Average return
   c. Profit before tax
   d. Present Values of cash Outflows
5. The primary goal of financial management is to ___________
   a. To minimize the risk
   b. To maximize the capital assets
   c. To maximize the return
   d. To earn hidden profits
6. __________ is a Level where EBIT of two different situations will be considered as Nil.
   a. EPS b. Indifference Point c. P/E Ratio d. PAT
7. EPS Stands for __________
   a. Earnings per Share
   b. Earing Price Stock
   c. Earning per stock
   d. Earning per stake
8. I x (1-t) helps to compute the cost of ___________.
   a. Ke b. Kd c. Ko d. Kp
9. Firm's Cost of Capital is the average cost of ____________.
   a. All sources of Finance
   b. Share Bonds & Debentures only
   c. Share capital only
   d. All borrowings
10. What will be cost of Debt after tax if company is having 10 % debentures of 100000/- and tax rate is 30 % ?
    a. 7% b. 8% c. 7.5% d. 10%

Q.1 b) Match the following:- (Any 7) **CO1, CO2 (U/R)** (7m)

'A'	'B'
1. No Profit No Loss	a. Global Depositary Receipt
2. Degree of Financial Leverage	b. Fixed rate of dividend
3. Composite cost	c. 2:1
4. GDR	d. Traditional Method of Capital Budgeting
5. Principal + Interest	e. Current Liability
6. Payback Period	f. Break Even Point
7. Debt Equity Ratio	g. Present Values
8. Bank Overdraft	h. EBIT / EBT
9. Preference Shares	i. WACC
	j. Risk Takers
	k. Modern Technique of Capital Budgeting
	l. Future Value

Q: 2 Calculate degree of operating, financial leverage and combined leverage. **CO1 (AN)** (15m)

Particulars	**Firm RRR**	**Firm KKK**
Sales	400000	420000
Fixed Cost	60000	40000
Variable Cost	100000	120000
10% Debentures	500000	500000

OR

Q.2 Shivayay Ltd. requires Rs. 3, 00,000/- as investment for a new project. The following three financial plans are feasible:

Source of Finance	Plan A	Plan B	Plan C
Equity Share Capital (Face Value 100/-)	100 %	50%	40%
10% Preference Share Capital	-	50%	-
8% Debentures	-	-	60%

If the company EBIT is 1,20,000/- What is the earning per share under each of the three financial plans? Which alternative would you recommend and why? Assume corporate tax rate to be 50%. **CO1 (AP) (15m)**

CO2 (AP) **(15m)**

Q.3 The capital structure of Atharva Ltd. is as under :-

Source of Finance	Amount
Equity share Capital (Face value – 100/-)	6,00,000
12 % Preference Share Capital	3,20,000
10% Debentures	1,50,000
Reserves	30,000

- Cost of reserves is 10% & Tax rate is 40%.
- Company declared a dividend of Rs. 9/- per share. Market value of equity share is 180/- Growth rate is 8%.

You are required to Calculate

1. Weighted Average cost of Capital for existing capital Structure.
2. Calculate revised WACC if Market price is 150/-, Dividend per share is 6/- and growth rate is 7%.

OR

Q.3 Calculate Expected Returns & Standard Deviation from the following data:- **CO2 (AP)** **(15 m)**

Particulars	Stock P	Stock Q	Probability
Boom	50	60	0.4
Normal	30	40	0.5
Recession	10	20	0.1

Q.4 A company needs to invest in any one of the project for purchase of asset. **CO2 (AN)** **(15m)**

Particulars	PV Factor @10%	Project A	Project B
Investment	-	2,00,000	3,00,000
Cash Inflow			
Year			
1	0.909	60,000	65,000
2	0.826	30,000	60,000
3	0.751	40,000	85,000
4	0.683	36,000	48,000
5	0.621	54,000	70,000

You are required to calculate & comment on the result using following methods.

1. **Net Present Value** 2. **Profitability Index**

OR

Q.4 (a) Find the future value of 3,00,000/- after 3 years at 10%p.a. **CO1 (AP)** **(8m)**

Q.4 (b) A GOI Bond with Coupon rate of 12% p.a having maturity period of 10 years with Face value 100/- per share and market value 180/- per share. Calculate Yield to Maturity. **CO2 (AP)** **(7m)**

Q.5. a) Explain Various Sources of finance. **CO1 (R/ U)** **(8m)**

Q.5. b) Explain the Positive & negative effects of Foreign Direct Investment in India. **CO1 (R/ U)** **(7m)**

OR

Q.5 Write short notes :- (Any 3) **(15m)**

1. Public Deposits **CO2 (R/ U)**
2. Types of Debentures **CO1 (R/ U)**
3. Techniques of Capital Budgeting **CO2 (R/ U)**
4. Risk & Return Analysis **CO1 (R/ U)**
5. Types of leverages **CO1 (R/ U)**

XXXXXXXXXXXXXX