D-2 Corporate Finance

Seat Number: - ______________

Duration: - 2 ½ Hours **53F2181024** **Marks: - 75**

Note: - A) All questions are compulsory.

B) Figures to the right indicate full marks.

C) Use of Simple Calculator is allowed.

Q.1a) State whether the following statements are True or False: - (Any 8) CO1,2 (U/R) (8m)

1. Time value of money considers the discounting factor.
2. Capital budgeting decisions are related to investment in long term capital assets.
3. Higher the combined leverage will be the risk related to business.
4. EBIT- EPS analysis is related to Capital structure planning.
5. Debenture is an internal source of finance.
6. Debtors are a source of Working Capital.
7. Equity shareholders are the real risk takers.
8. The role of financial manager is to manage risks.
9. Bank overdraft is an example of current assets.
10. The Tenure of Public deposits is 48 months.

Q.2 b) Match the following: - (Any 7) CO1, 2 (U/R) (7m)

Column 'A'	Column 'B'
1. Capital Budgeting	a. Profit After Tax + Depreciation
2. Preference Share Capital	b. American Depository Receipt
3. Cost of Equity	c. Contribution / EBT
4. No Profit No Loss	d. Current Assets – Current Liabilities
5. Working Capital	e. Overall Cost of Capital
6. Composite Cost	f. Capital Expenditure Projects
7. Operating Leverages	g. Owned Funds
8. Cash Inflow	h. Break Even Point
9. ADR	i. (D / NP x 100 + G)

Q.2 a) Calculate Weighted Average cost of capital using **CO2 (AP)**

a) Book Value as weights, b) Market Value as weights. **(8m)**

Type of Capital	Book Value	Market Value	Specific Cost - %
Equity Capital @ 10/- each	600000	500000	11%
Debentures	200000	150000	8%
Preference capital	100000	200000	9%
Retained Earnings	200000	50000	7%
Total	**1100000**	**900000**	

Q.2 b) A GOI Bond with face value of Rs. 100 /- per share is currently quoted at Rs.180/- per share, carries 14% coupon rate. The bond will mature after 10 years. Calculate Yield to Maturity of bond. **CO2 (AP) (7m)**

OR

Q.2 Avinash Ltd. needs Rs 200000 /- for commissioning of a new plant. The following three financial plans are feasible:

Option	Equity Capital	Preference Capital	Debenture
A	100 %	-	-
B	50 %	50%	-
C	60%	-	40%

a. EBIT is Rs. 150000/-
b. Cost of Preference Capital is 10% & Cost of Debentures is 8%
c. Tax rate is 40%
d. The Equity shares are issued at Rs. 20/- per share.

Which alternative would you recommend under EBIT – EPS Analysis? **CO1 (AN)** **(15m)**

Q.3 Divyansh Ltd. can make either of two investment options. Calculate Payback period and comment on the result. **CO2 (AN)** **(15m)**

Particulars	**Project P**	**Project Q**
Investment	400000	500000
Life	5 Years	5 Years
Cash Flow		
Year		
1	100000	150000
2	140000	120000
3	220000	175000
4	900000	110000
5	110000	100000

Q: 3 Calculate degree of operating and financial leverage and combined leverages: - **CO2 (AP)** **(15m)**

Particulars	**Alfa Ltd.**	**Beta Ltd.**
Sales	500000	450000
Fixed Cost	150000	120000
Variable Cost	30 % of Sales	30 % of Sales
Interest on Debentures	50000	40000

Q.4 (a) Find the future value of Rs.480000 /- after 4 years at 12% p.a. compounded half yearly. **CO2 (AP)(7m)**

Q.4 (b) A company can make either of two investments assuming rate of return at 11%. Calculate Net Present Value of Project. **CO2 (AP)** **(8m)**

Cost of Investment – Rs. 120000/-

Year	1	2	3	4	5
Cash Inflow	40000	45000	20000	35000	46000
Present Value Factor @ 11%	0.901	0.812	0.731	0.659	0.593

OR

Q.4 Calculate Expected Return & Standard Deviation from the following data. Which project is better for investment? **CO2 (C)** **(15m)**

Particulars	Project R (% Return)	Project S (% Return)	Probability
Boom	55	48	0.3
Normal	35	34	0.4
Recession	23	21	0.2
Depression	15	10	0.1

Q.5 a) Explain in detail various sources of finance? **CO1 (U)** **(8m)**

Q.5 b) Define FDI. Explain its Importance. **CO2 (R)** **(7m)**

OR

Q.5 Write short notes :- (Any 3) **CO2 (U/R)** **(15m)**

1. Role of SEBI
2. Capital Budgeting techniques
3. Risk & Return Analysis
4. Types of Preference shares
5. Types of leverages

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