Paper / Subject Code: 80313 / FINANCE-Corporate Finance

SYBMS sem III Reg. Exam Oct-2018.

Time : 2 ½ Hours 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 Multiple Choice Questions (any 8). **8 marks**

1. ADR means ________________
a) Auto Deposit Receipt b) American Debit Record c) American Depository Receipt

2. Capital Budgeting deals with __________
a) Long term Decision b) short term decisions c) both (a) and (b)

3.______ are shares which do not enjoy any preferential right in the matter of payment of dividend.
a) Equity Shares b) Preference Shares c) both (a) and (b)

4._______ is also known as value maximization.
a) Profit Maximization b) Wealth Maximization c) both (a) and (b)

5. EVA means ____________
a) Economic Value Added b) Economic Volume Added c) Economic Value Asset

6. CAPM means_____________
a) Capital Added Pricing Model b) Capital Asset Pricing Model c) Capital Added Preference Model

7. Sales Less Variable Costs =____________.
a) EBIT b) EPS c) contribution

8. If I make one deposit today and wish to know how much it will accumulate in the future, that value is called______________.
a) Future Value b) Present Value c) compounding Value

9. If the NPV is positive, the rate of return is greater than the cost of capital, so the project is _____________.
a) Accepted b) Rejected c) none

10. Under ____ facility, customers are allowed to withdraw in excess of credit balance standing in their current Account.
a) Bank Overdraft b) Cash Credit c) both (a) and (b)

Q1.B State whether True or False. (any 7) **7 marks**

1. Profit maximization and wealth Maximization are two objectives of financial management.
2. Operative leverage may be defined as contribution/EPS.
3. EBIT is also known as operating Profits.
4. The NPV method does not consider the time value of money.
5. MM model is difficult to be applied in practice.

6. Capital expenditure benefits accrue only in current period.
7. WACC is the overall cost of capital of the firm.
8. GDR means German Depository Receipt.
9. Financial leverage depends upon the fixed financial charges.
10. NBFC means Non – Banking Funding Company.

Q.2 A A company requires Rs.25 Lakhs to finance a new Project which would yield an EBIT of Rs.4, 50,000.The Company has three financial plans: **15 marks**

1. By issuing 40% debt and balance by equity
2. By issuing 50% debt and balance by equity
3. By issuing 60% debt and balance by equity

The companies' share are currently selling at Rs.150 but is expected to fall to Rs.125 in case the funds borrowed exceed rs.10 lakhs. Cost of borrowing

Up to rs.2, 50,000	5%
2, 50,000 to 10, 00,000	7%
10, 00,000 & above	10%

Tax rate at 30%.which option should be exercised?

OR

Q2.P Neel Textiles equity shares currently sells for Rs.23 per share. The company's Finance Manager anticipates a constant growth of 10.5% and at the end of the year dividend of Rs.2.50.what is the expected rate of return? **7 marks**

Q2.Q **From the following particulars, Prepare Income Statement of ABC ltd.** **8 marks**

Particulars	
Degree of Combined leverage	6 times
Degree of Operating leverages	3 times
Variable cost as a % of sales	40%
Income Tax	35%
NPAT	Rs.1,30,000

Q3.A The rates of return on Stock X under different states of economy are given below. **7 marks**

Economic Conditions	Probability	Rate of Return (%)
Boom	0.35	20
Normal	0.50	30
Recession	0.15	40

Calculate the Expected Return and Standard Deviation

Q3.B **8 marks**

i. Mr.Anand wants to send his son to USA for MBA after 6 years. He would require Rs.20, 00,000 at that time. How much should he invest today if he bank offer interest rate at 14%?

ii. Avinash has Invested Rs.3, 00,000 in bank FD for 3 years at 8 %.How much will be receive at maturity?

OR

Q3.P The rates of return on Stock Y under different states of economy are given below. Calculate the Expected Return and Standard Deviation. **7 marks**

Economic Conditions	Probability	Rate of Return (%)
Boom	0.30	40
Normal	0.40	30
Recession	0.30	20

Q3.Q Sangeeta had invested Rs.25,000 in a schemes @ 12% p.a. compounded quarterly. Find out what will be the amount at the end of 2 years. How will your answer change if interest rate compounded semi-anually? **8 marks**

Q4.A Mohan and Co is considering the purchase of a Machine. Two options available are Project A and Project B. Following are the details: **15 marks**

Particulars	**Project A**	**Project B**
Cost of Investment (Rs)	50,000	50,000
Useful life	5 Years	5 Years
Cost of Capital	10 %	10%
Earning after Taxation		
Years 1	15,000	5,000
2	20,000	15,000
3	25,000	20,000
4	15,000	30,000
5	10,000	20,000

Discounting Factor 10%

Year	1	2	3	4	5
P.V 10%	0.909	0.826	0.751	0.683	0.621

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

OR

Q4.P Reliance Ltd is considering project Y. It has useful life of 5 years and the cost of capital is 10%.The initial outlay is Rs.2,00,000. **15 marks**

Year	Cash Inflow	PV Factor @10%	PV Factor @20%
1	1,18,000	0.91	0.83
2	60,000	0.83	0.69
3	40,000	0.75	0.58
4	14,000	0.68	0.48
5	13,000	0.62	0.41

Calculate Internal Rate of Return.

Q5.A Explain the concept of Fixed Capital and Working Capital. **8 marks**

Q5.B Explain Types of Shares. **7 marks**

OR

Q5.P Write short note on. (any 3 out of 5) **15 marks**

1. Bank Overdraft
2. Company Deposits & SEBI Regulations
3. Foreign Capital and Collaboration
4. Emerging Trend in FDI
5. Protection of Depositors

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