SYBMS sem III Reg. & A.T.K.T. Exam oct-2019.

Date: 18/10/19.	Time: 2 ½ hours
Subject: Corporate Finance	Semester: III
Class: SY.BMS	Marks: 75

M. K. SANGHVI COLLEGE OF COMMERCE & ECONOMICS MUMBAI-49

Note:-

1. Q.1 is compulsory
2. Q.2 to Q.5 having internal options
3. Figures to right indicate full marks
4. Simple calculator is allowed
5. State your assumptions clearly.

Q.1 A:- Match the following:- (08 marks)

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 Higher cost of capital	i Same
10 Combination of debt and equity	j Accounting value

Q.1 B:- True or False: (Any 7 out of 10) (07 marks)

1. Corporate finance is used for expansion and diversification.

2. WACC is the overall cost of capital.

3. NPV does not take into account the time value of money.

4. The main rational behind FDI is participate in the management of the foreign firm.

5. Financial breakeven level occurs when EBIT is zero.

6. Operating leverage directly impacts the EBIT.

7. Cost of debt is same as the rate of interest.

8. Trading on equity results in decreasing EPS for the shareholders.

9. EBIT-Interest=EBT.

10. Debenture hodlers are the owners of the company.

Q.2 A:- Calculate EPS for following different financial plans: (08 marks)

Particulars:	A	B
Output (units)	15,000	10,000
Fixed cost	1,00,000	2,00,000
Variable cost per unit	10	10
Selling price per unit	75	90
Interest expense	75,000	75,000
No. of equity shares	10,000	15,000

Q.2 B:- The following details of 'A' Ltd for year ended 31/03/2019: (07 marks)

Operating leverage	3:1
Financial leverage	2:1
Interest charges	20,00,000
Tax	50%
Variable cost to sales	60%

Prepare the income statement of the company.

OR

Q.2 PQ Ltd estimates the cost of equity and debt components of its capital for different levels of debt equity mix as follows:- (15 marks)

Debt as % to total capital	Cost of equity	Cost of debt (Before tax)
0%	16%	12%
20%	16%	12%
40%	20%	16%
50%	22%	20%
60%	24%	22%
75%	28%	24%

Suggest the best Debt-equity mix for the company. Tax rate 50%.

Q.3 A:- X invested Rs. 2,40,000 at annual rate of interest of 10 percent. What is the amount after 3 years if the compounding is done? (08 marks)

1. Annually

2. semi-annually

Q.3 B:- (07 marks)

	Boom	Normal	Recession
Probability of occurrence	0.3	0.4	0.3
Rate of return on Stock A (%)	20.0	30.0	50.0

Calculate the expected rate of return and standard deviation of return for stock A.

OR

Q.3 A project requires an initial cash outflow of Rs. 10,00,000. It generates cash inflow as follows:- (15 marks)

Year end	1	2	3	4	5
Cash inflow (Rs lakhs)	6	3	2	5	5

Its cost of capital is 10% determine (a) payback period, (b) net present value, (c) discounted payback period, (d) profitability index.

Q.4 A:- Calculate the internal rate of return of an investment of Rs. 1,36,000 which yields the following cash inflows:- (08 marks)

Year	Cash inflows (in Rs.)
1	30,000
2	40,000
3	60,000
4	30,000
5	20,000

Use 10% and 12% discounting factor.

Q.4 B:- Relationship between risk and return – Illustrate with diagram. (07 marks)

OR

Q.4.'A' holds the following portfolio: - (15 marks)

Share/Bond	Beta Rs.	Initial price Rs.	Dividends Rs.	Market price at the end of the year Rs.
Epsilon Ltd.	0.8	25	2	50
Sigma Ltd.	0.7	35	2	60
Omega Ltd.	0.5	45	2	135
GOI bonds	0.99	1,000	140	1,005

Calculate:-

i. The expected rate of return on his portfolio using capital asset pricing method (CAPM_
ii. The average return of his portfolio.
Risk-free return is 14%.

Q.5 Write short note:- (Any 3 out of 5) **(15 marks)**

a. Wealth maximization

b. Bonds

c. Cash flow

d. Types of return

e. Commercial paper

OR

Q.5 Explain public deposits under companies act 2013. **(15 marks)**