VCD/---31/10/23-------/SYBMS(Fin)/Sem III/Corporate Finance/Marks-75/2.5hrs

Note: All questions are compulsory.

Figures to the right indicates marks.

Q1Fill in the Blanks (Any 8) **(8)**

a) Decisions involving purchase of Fixed assets is called as ----------------.

a) Capital Restructuring decisions) Capital Budgeting c) Capital structure d) Capital mix decisions

2)Present value takes---------.

a) Compounding rate b) Discounting Rate c) Inflation rate d) Deflation rate.

3)Which is not part of part of capital structure?

a) Equity Shares b) Debentures c) Short Term Borrowing d) Bonds

4)Capital Structure is optimal mix of following options:

a) Sales & Profits b) Debt & equity c) Current & Fixed assets d) None of above

5)Cost of Capital is highest in case of ----------.

a) Debt b) Equity c) Loan d) Bonds

6)Formula of Operating Leverage is -------------.

a) EBIT/EBT b) Contribution/EBIT c) EBT/EBIT d) EPS/EBIT

7)Fund raised through loan or borrowing are-------------.

a) Borrowed Funds b) Owner's Fund c) Share Capital d) None of these

8)Equity shareholders are called as -----------------.

a) Owners of Company b) Partners of Company c) Executives of Company d) Guardian of Company.

9)Full form of GDR is --------------.

a) General Depository Receipt b) Global Depository Receipt c) Global Depository Rate d) General Depository Rate

10)Risk related with operating conditions of firm is -------------.

a) Interest Rate Risk b) Business Risk c) Financial Risk d) Liquidity Risk

B) State True or False (Any 7) **(7)**

a) Market Risk is also known as Purchasing Power Risk.

b) The Projects with Long payback period should be selected.

c) Capital Budgeting involves Cash Inflows & Cash Outflow d)Future Value is amount invested today which will grow by some future date.

e) Risk & Return are directly related.

f) The Cost of Capital is maximum return which a firm should earn in order to cover cost of raising funds for financing projects.

g) The dividends of Preference shares fluctuate according to profit of firm

h) A sound Capital Structure should ensure safety of investment.

i) Corporate Finance is study of sources of Finance & how to use the money raised to add maximum value to shareholder's wealth.

j) Equity Shares carries voting right.

Q2 X Ltd has the following capital structure. (15)

Source of Funds	Amt(rs)
Equity Shares of Rs100 each	20,00,000

Company requires Rs25,00,000 in Finance Expansion programme for which following are alternatives:

a) Issue of 20,000 equity shares of Rs125 each

b) Issue of 10% Preference Shares

c)Issue of 10% Debentures.

EBIT is Rs9,00,000 after expansion. Income Tax rate is 35%. Find out EPS.

Recommend the best alternative with suitable reason.

Or

Q2.(A)Following are the details of Company X. (8)

Particulars	X
Variable Cost per unit (Rs)	10
Fixed Cost per annum(rs)	7,00,000
Selling Price per unit (Rs)	30
Output per annum	60,000
Interest per Debenture (Rs)	20,000

Calculate a) Operating Leverage b) Financial Leverage

B) Following are details of A Ltd. (7)

Source of Funds	Amt (Rs)	Cost of Capital (After Tax)
Equity Shares	4,00,000	15%
Preference Shares	3,00,000	8%
Debentures	2,00,000	9%
Retained Earning	1,00,000	11%

VCD/------------------/SYBMS(Fin)/Sem III/Corporate Finance/Marks-75/2.5hrs

Calculate Weighted Average Cost of Capital.

Q3Mr.A a fund manager produced the following returns for the last five years. Rate of Return on Sensex is also given below. (15)

	2003-04	2004-05	2005-06	2006-07	2007-08
Mr.A	6%	48%	-15%	7%	11%
Sensex	12%	40%	-6%	20%	3%

Calculate Average Return & Standard Deviation of Mr. A's Mutual Fund & Sensex's also.

Or

Q3 The rate of return of Stock X & Y under different state of economy are presented below with probability of occurrence. (15)

State of Economy	Probability	Stock X(%)	Stock Y(%)
Boom	0.5	30	35
Normal	0.3	35	40
Recession	0.2	25	30

Calculate Expected Return & Standard Deviation for Stock X & Y.

Q4Zen Ltd. Wants to invest in a project. Two options are available. Project A & project Following are details. Discounting factor is 10%. (15)

	Project A	Project B
Cost of Investment	70,000	50,000
Cash Flow: Years		
1	20,000	40,000
2	40,000	50,000
3	50,000	20,000
4	70,000	60,000
5	80,000	70,000

Calculate NPV & PI for above projects.

Or

Q4(A)Briefly explain advantages of Public Deposit. (8)

(B)Explain Features of Global Depository Receipt. (7)

Q5 (a)Explain Principles of Corporate Finance. (8)

b) Explain features of Fixed Capital. (7)

Or

Q5(P) Write Short notes of any 3. (15)

a) FDI

b) Factoring

c)Preference Shares

d)Debentures

e) Private placement of Shares