Reg. No. [| | | | | | | | | | |]

BBABMEN 501

V Semester B.B.A. Degree Examination, Dec. 2023/Jan. 2024
(NEP 2020) (2023-24 Batch Onwards)
FINANCE – ADVANCED CORPORATE FINANCIAL MANAGEMENT (DSE)

Time : 2 Hours   Max. Marks : 60

SECTION – A

Answer **any five** of the following questions. **Each** question carries **2** marks. **(5×2=10)**

1. What is cost of capital ?
2. What is sensitivity analysis ?
3. What is dividend payout ?
4. Give the meaning of leveraged buyouts.
5. What is agency cost ?
6. What is an integrated report ?
7. If dividend per share of a company is expected to be ₹ 20 per share next year and is expected to grow at 12% constantly and market price per share is ₹ 340. Determine cost of equity.

SECTION – B

Answer **any four** of the following questions. **Each** question carries **5** marks. **(4×5=20)**

8. A Ltd. issued 15% preference shares of ₹ 100 each on Jan. 1, 2023. They were redeemable at par after 5 years. Calculate the cost of preference shares (i) If it is issued at par (ii) If it is issued at a discount of 10%.
9. A company expects to earn a net operating income of ₹ 80,000. It has 8% debentures of ₹ 2,00,000. The equity capitalisation rate is 10%. Calculate :
   i) The total market value of the company as per net income approach.
   ii) The impact on the total market value, if the management of the company decides to increase the debt from ₹ 2,00,000 to ₹ 4,00,000.

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10. Aadarsh Ltd. is considering two mutually exclusive projects. The company uses a certainty equivalent approach. The risk free rate of return is 10%. The estimated cash flow and certainty equivalents for each project are as follows :

Year	Project 1		Project 2		PV@10%
	Cash flow (₹)	Certainty equivalents	Cash flow (₹)	Certainty equivalents	
0	(30,000)	1.00	(40,000)	1.00	1.000
1	15,000	0.95	25,000	0.90	0.909
2	18,000	0.85	20,000	0.80	0.826
3	20,000	0.70	25,000	0.70	0.751
4	20,000	0.65	18,000	0.60	0.683

Which project should be accepted ?

11. The earnings per share of a company is ₹ 10. It has an internal rate of return of 25% and the capitalisation rate of its risk class is 15%. If the company is considering the payout ratio of 25%. Find out the price of the share according to Walter's model.

12. Determine the exchange ratio in case of below takeover based on market price.

Particulars	Sun Ltd. (acquirer)	Moon Ltd. (target)
P/E ratio	5 times	10 times
Profit after tax	₹ 20,00,000	₹ 12,50,000
No. of shares	1,00,000	50,000

13. Explain the importance of ethics in finance.

14. Write a note on decision tree analysis.

SECTION – C

Answer **any three** of the following questions. **Each** question carries 10 marks. **(3×10=30)**

15. Calculate weighted average cost of capital from the following. (Using book value weights and market value weights)

Types of capital	**Book value (₹)**	**Market value (₹)**	**Specific cost (After tax)**
Equity share capital	4,00,000	4,50,000	12%
Preference share capital	2,00,000	2,50,000	8%
Debentures	3,00,000	5,00,000	9%
Retained earnings	1,00,000	–	8%

16. On the basis of data given below, find out which project is more risky by adopting standard deviation approach :

Project X		**Project Y**	
Cash flow (₹ in lakhs)	**Probability**	**Cash flow (₹ in lakhs)**	**Probability**
40	0.10	120	0.10
50	0.20	100	0.15
60	0.40	80	0.50
70	0.20	60	0.15
80	0.10	40	0.10

17. From the following, determine price per share as per Walter and Gordon's models.

    a) Internal rate of return – 15%

    b) Cost of capital – 10%

    c) EPS – ₹ 10

    d) Dividend per share – ₹ 6.

18. Explain fundamental principles of governance and ethics.

19. The following are the financial details of the two companies, Kay Ltd. and Jay Ltd. as on 31st March, 2023.

Particulars	Kay Ltd.	Jay Ltd.
Equity share capital of ₹ 10 each (₹)	4,00,000	1,80,000
General reserve (₹)	5,00,000	1,00,000
Profit and loss a/c (₹)	3,00,000	80,000
Debentures (₹)	3,50,000	–
Fixed assets (₹)	12,00,000	3,00,000
Net current assets (₹)	3,50,000	60,000
Annual profit after tax for equity share holders (₹)	96,000	54,000
Price earning ratio	10	9

The board of directors of Kay Ltd. approved to takeover Jay Ltd. Find out the exchange ratio based on :

i) Net asset value

ii) Earnings per share

iii) Market price.
