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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.

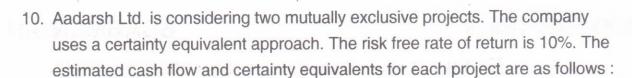
SECTION - B

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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Year	Pro	ject 1	Proje	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.	Moon Ltd.		
	(acquirer)	(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.

 $(3 \times 10 = 30)$

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:

Proj		Project Y				
Cash flow (₹ in lakhs)	Pro	obability	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.

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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.