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Sl. No.

B.B.A. V Semester Degree Examination, April/May - 2024

MANAGEMENT

Advanced Corporate Financial Management

(NEP)

Time : 2 Hours | Maximum Marks : 60

Note : *Answer **all** Sections.*

SECTION - A

Answer the following sub-questions. Each sub-question carries **one** mark. **10x1=10**

1. (a) What is Cost of Capital ?

(b) Define Capital Structure.

(c) What is risk ?

(d) Define Co-efficient of Variation.

(e) What is dividend policy ?

(f) What do you mean by "Stock Dividend" ?

(g) What is Merger ?

(h) State the formula for price earning Ratio.

(i) What do you mean by ethical issues in finance ?

(j) What do you mean by Agency theory ?

SECTION - B

Answer **any four** questions from the following. Each question carries **five** marks. **4x5=20**

2. Manvith Co., issues 10,000, 10% preference share of ₹ 100 each. The cost of issues is ₹ 2 per share. Calculate the cost of preference share capital if these shares are issued.

(a) At par

(b) At 5% discount

(c) At 10% premium

3. Calculate the net present values of the two projects by using the risk adjusted rate of return from the following data and suggest the best course of action. The cost of both the project A and B is ₹ 1,50,000 each. The cash inflows of both the projects are.

Year	A	B
1	20,000	30,000
2	40,000	40,000
3	60,000	50,000
4	80,000	60,000
5	100,000	70,000

The risk free rate of return is 10% for both the projects. Project A has 4% Quantified risk and project B has 6% Quantified risk.

4. What are the differences between Mergers and acquisition ?

5. What do you mean by transaction cost and explain different types of transaction cost ?

6. Given the following information about the Mandira Ltd., show the effect of the dividend policy on the market price of its shares using the Walter's Model.

(a) Equity capitalization Rate : 12%

(b) Earning per share = ₹ 8.

(c) Assumed return on investment [r] are as follows.

(i) 15% (ii) 10%

The company is considering a pay out of 25% and 50%.

7. What do you mean by bonus shares and state the guidelines of SEBI for issuing bonus shares ?

SECTION - C

Answer **any three** questions from the following. Each question carries **ten** marks. **3x10=30**

8. The following is the Capital structure of Raj Ltd. as on 31.12.2023.

Particulars	**Amount**
Equity shares - 20,000 shares of ₹ 100 each	20,00,000
10% preference shares ₹ 100 each	8,00,000
12% Debentures	12,00,000
Total	40,00,000

The market price of the company share is ₹ 110 and it is expected that a dividend of ₹ 10 per share would be declared after 1 year. The dividend growth rate is 6%

(a) If the company is in the 50% tax bracket, compute the weighted average cost of capital.

(b) Assuming that in order to finance an expansion plan, the company intends to borrow a fund of ₹ 20,00,000 bearing 14% rate of interest, what will be the company's revised weighted average cost of capital ?

This Financing decision is expected to increase divident from ₹ 10 to ₹ 12 per share. However, the market price of equity share is expected to decline from ₹ 110 to ₹ 105 per share.

9. Vijayalakshmi Co., belongs to a risk class for which the appropriate capitalization rate is 10%. It currently has outstanding 25,000 shares selling at ₹ 100 each. The firm is contemplating the declaration of a dividend of ₹ 5 per share at the end of the current financial year. It expects to have a net income of ₹ 2,50,000 and has a proposal for making new investment of ₹ 5,00,000. Show that under the MM assumption, the payment of dividend does not affect the value of the firm.

10. What are the Fundamental ethical principles in Business briefly explain ?

11. What are the reasons for mergers and acquisitions ?

12. The punch Co., Ltd. has given the following possible cash inflows for two of their projects X and Y out of which one they wish to undertake together with their associative probabilities both the projects will require an equal investment of ₹ 5000/-

Possible Event	Project X		Project Y	
	Cash inflow	Probabilities	Cash inflow	Probabilities
A	4000	0.10	12,000	0.10
B	5000	0.20	10,000	0.15
C	6000	0.40	8,000	0.50
D	7000	0.20	6,000	0.15
E	8000	0.10	4,000	0.10

Which project is more risky by adopting standard deviation method ?

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