STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.

(For candidates admitted during the academic year 2015-16 and thereafter)

COURSE CODE: 15CM/MC/CF55

B.Com. (A&F) DEGREE EXAMINATION DECEMBER 2020

ACCOUNTING AND FINANCE

FIFTH SEMESTER

COURSE : MAJOR – CORE

PAPER : CORPORATE FINANCE

TIME : 90 MINUTES **MAX. MARKS: 50**

Section - A

Answer All the Questions **(7X2=14)**

1. State the differences between Debt and Equity?
2. What is meant by pre-emptive right?
3. What are the advantages of debt financing?
4. Under NOI Approach, if Kd is 9% Ko is 12% and debt equity ratio is 0.8 what is Ke?
5. Expected EBIT- 2,00,000, 10% debentures -7,000,000 Ke-12.5% What is V under NI Approach?
6. Write a short note on Interim Dividend.
7. Explain Conglomerate Merger with an example.

Section - B

Answer any Two Questions **(2X8=16)**

8. Explain the reasons for Merger.

9. What are the factors affecting the dividend policy of a company?

10. (a)

PROJECT	A	B	C	D	E	F
COST	1000	6000	5000	2000	2500	500
NPV	210	1560	850	260	500	95

Determine the optimal combination of projects under PI method if the total funds are 8000.

(b) What is Sensitivity Analysis?

Section - C

Answer any One Question **(1 X20=20)**

11. Earnings Per Share – Rs.20 Capitalisation rate -10% Retention rate-50% Determine the price of the share under Walter Model and Gordon Model if the IRR is (a) 10% (b) 15%.

12. Company A and Company B are in the same risk class and identical in all respects except that Company A uses debt, while company B does not. Levered company has Rs.20 lakhs debentures carrying 12% rate of interest. Both companies earn 20% before interest and taxes on their total assets of Rs.50 lakhs. Assume perfect capital markets, tax rate of 50% and capitalization rate of 10%.
    Calculate the value of both the companies under (a) Net Income Approach (b) Net Operating Income Approach.

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