

STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.
(For candidates admitted during the academic year 2009 – 2010 & thereafter)
SUBJECT CODE: CM/PC/CF34
M.Com. DEGREE EXAMINATION NOVEMBER 2011
COMMERCE
THIRD SEMESTER

COURSE : CORE
PAPER : CORPORATE FINANCE
TIME : 3 HOURS **MAX. MARKS: 100**

SECTION – A

ANSWER ANY FIVE QUESTIONS: (5 x 8 = 40)

1. What are the various patterns of corporate financing?
2. Explain briefly the various determinants of working capital.
3. Write a note on corporate governance and its importance?
4. What are the various forms of dividend?
5. Write a note on ESOP?
6. Explain the different types of mergers.
7. From the following data forecast the cash position at the end of July to September 2011.

Month 2011	Sales Rs.	Purchases Rs.	Wages Rs.	Sales expenses Rs.
May	1,40,000	60,000	10,000	7,000
June	1,50,000	88,000	12,000	9,000
July	80,000	1,00,000	8,000	5,000
August	1,20,000	1,03,000	10,000	10,000
September	85,000	80,000	8,000	6,000

Further information:

Sales at 10% realized in the month of sales. Balance equally realized in two subsequent months.

Purchase: Creditors are paid in the month following the month of supply.

Wages : 50% paid in arrears in the following month.

Sales expenses paid in the month itself.

Income tax Rs. 20,000 payable in July.

Cash balance on hand as on 1-7-2011 Rs.65,000.

8. (a) Monthly cash requirements Rs. 90,000
 Fixed cost per transaction Rs. 15
 Interest rate on marketable securities 6% per annum'
 Calculate optimum cash balance.
- (b) Calculate economic ordering quantity :
 Annual consumption 600 units
 Order cost Rs. 12 per order
 Cost price per unit Rs. 20
 Storage & carrying cost 20%

SECTION – B**ANSWER ANY THREE QUESTIONS:****(3 x 20 = 60)**

9. Explain the SEBI guidelines relating to IPO.
10. Write short notes on (a) Green shoe option
(b) Lock box system
(c) Buy back of shares
(d) Rights issue
11. The following information is available for Avanti Coporation :
- | | |
|---|-------------|
| Earnings per share | Rs. 4.00 |
| Rate of return on investments | 18 per cent |
| Rate of return required by shareholders | 15 per cent |
- What will be the price per share as per the Walter model if the payment ratio is 40 per cent? 50 per cent? 60 per cent?
12. Cost sheet of a company provides the following particulars : Elements of cost on sales : Raw materials – 40% labour 10% and overheads 30%
The following particulars are also available:
- Raw-materials remain in stock for 6 weeks
 - Processing time 4 weeks
 - Finished goods are in stock for 5 weeks
 - Period of credit allowed to debtors – 10 weeks
 - Lag in payment of wages – 2 weeks
 - Period of credit allowed by creditors – 4 weeks
 - Selling price Rs. 50 per unit
 - Production in units 13,000 p.a.
- Prepare an estimate of working capital
13. Company Zee is contemplating the purchase of Company Yen. Company Zee has 3,00,000 shares having a market price of Rs.30 per share, while company Yen has 2,00,000 shares selling at Rs. 20 per share. The EPS are Rs. 4 and Rs. 2.25 for company Zee and Yen respectively. Managements of both companies are discussing two alternative proposals for exchange of shares as indicated below:
- in proportion to the relative earnings per share of two companies
 - 0.6 share of company Zee for one share of company Yen.
- You are required to
- Calculate the earnings per share after merger under two alternatives and
 - To show the impact on EPS for the shareholders of two companies under both the alternatives.