

B.Com.(A&F) DEGREE EXAMINATION NOVEMBER 2018
ACCOUNTING AND FINANCE
FIFTH SEMESTER

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

SECTION – A

ANSWER ALL QUESTIONS: **(10 x 2 = 20)**

1. What is Venture Capital?
2. What are the different forms of Capital Structure?
3. Write a note on NPV.
4. What is a Merger?
5. State the different forms of Dividend.
6. Calculate the Payback Period for a project which requires a cash outlay of Rs. 1,00,000 and generates cash inflows of Rs. 25,000, Rs. 35,000, Rs. 30,000 and Rs. 25,000 in the first, second, third and fourth years respectively.

7. Calculate Pre-merger Market Value per share

	Rs. (In Lakh)
Net Sales	350
Number of Shares	7.5
Total Market Capitalisation	420

8. ABC Limited is expecting an annual EBIT of Rs. 2,00,000. The company has Rs. 2,00,000 in 10% Debentures. The Cost of Equity capital is 12%. You are required to calculate the Value of Equity.
9. Given $r = 10\%$, $K_e = 12\%$, $EPS = Rs. 20$ and dividend payout is 40%, calculate the value of the share under Gordon's model.
10. What do you understand by Cost of Debt?

SECTION – B

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

11. Distinguish between Equity Shares and Preference Shares.
12. Explain the different types of Merger.
13. What are the factors affecting the Dividend Policy of a Firm?
14. A project requires an investment of Rs. 5,00,000 and has a scrap value of Rs. 20,000 after 5 years. It is expected to yield profits after taxes and depreciation during the year amounting to Rs.40,000, Rs. 60,000, Rs. 70,000 Rs. 50,000 and Rs. 20,000. Calculate the Average Rate of Return on (a) Original Investment and (b) Average Investment.

15. X Limited is expecting an annual EBIT of Rs. 1,00,000. The company has Rs. 4,00,000 in 10% Debentures. The Cost of Equity capital is 12%. You are required to calculate the Total Value of the firm and Overall Cost of Capital under Net Income Approach.
16. What do you understand by ARR? What are its merits?
17. A company issues 10% irredeemable debentures of Rs. 1,00,000. The company is in the 55% Tax bracket. Calculate the cost of debt (before as well as after tax) if the debentures are issued at (i) at Par (ii) at 10% Discount (iii) at 10% Premium.

SECTION – C

ANSWER ANY TWO QUESTIONS:

(2 x 20 = 40)

18. Explain NI Approach to Capital Structure.
19. Vimal company is considering investing in a project requiring a capital out lay of Rs. 2,00,000. Forecast for annual income after depreciation but before tax is as follows:

Year	Rs
I	1,00,000
II	1,00,000
III	80,000
IV	80,000
V	40,000

Depreciation may be taken as 20% on original cost and taxation at 50% of net income. You are required to evaluate the project according to each of the following methods:

- Pay –back method
 - Average Rate of Return on Original Investment Method
 - Profitability Method
 - Discounted cash flow method taking cost of capital at 10%
20. Give a detailed description on the Mechanics of Merger.
21. Details regarding three companies are given below:

A Ltd	B Ltd	C Ltd
$r = 15\%$	$r = 10\%$	$R = 8\%$
$k_e = 10\%$	$k_e = 10\%$	$k_e = 10\%$
$E = \text{Rs.}10$	$E = \text{Rs.}10$	$E = \text{Rs.}10$

By using Walter's Model you are required to calculate the value of an equity share of each of these companies when dividend pay-out ratio is 20%.
