PUNE VIDYARTHI GRIHA'S

COLLEGE OF SCIENCE & TECHNOLOGY

(REGULAR EXAM – SEMESTER -III)

2023-24

Course : S.Y.B.MS Time : 2:30 Hr

SEM : III Marks : 75 marks

Date : 20-10-2023 Subject : Corporate finance

N.B. (1) **All** questions are **compulsory.**
(2) **All** questions have **internal choice.**
(3) **Draw** neat **diagrams** wherever necessary.
(4) **Use** of simple **calculator** is **permitted.**
(5) **Figures** to the right indicate **full** marks.

Q.I A Multiple Choice questions (Any Eight) 8 Marks

1. The .... Shares holders get fixed rate of Dividend
A. Equity Shares B. Preference Shares
C Debentures D. Bonus shares

2. Retained Earning is an .... Sources of Earning
A. External B. Assets
C No Sources D. Internal

3. Sales Less Variable Cost = ...
A. Contribution B. Profit
C Fixed Cost D. Losses

4. Earning Per Shares = ... / Number of Equity share
A. Earning Before Tax B. Earning After Tax
C Contribution D. Assets

5 . Operating Leverage = ... / Earning Before Interest and Tax
A. Earning Before Tax B. Earning After Tax
C Contribution D. Liabilities

6 . Time Value of money Explain ....
A. Present Value of money > Future Value B. Present Value of money < Future Value
C Present Value of money = Future Value D. Only Future Value

7. Net Present Value = ... Less Cost of investment
A. Earning Before Tax B. Earning After Tax
C Contribution D Present Value of Cash inflow

8. The income of Shares are Called as ....
A. Dividend B. Profit
C Interest D. Losses

9. The income of Bonds are Called as ....

A. Dividend B. Profit
C Interest D. Losses

10. FDI stands For
A. Foreign Direct Investment B. Foreign Direct Initiative
C Fedrel Direct Investment D. Finance Direct Investment

Q.1B.State whether the following statements are True or False (Any Seven) 7 Marks

1. Equity shares Holders Get Fluctuating Rate of Dividend.
2. Debenture holders are the owners of the company.
3. GDR means German Depository Receipt.
4. NBFC means Non-Banking Funding Company.
5. Secondary Market is the Market for fresh issue of shares.
6. The Income of Debentures are called as Dividend.
7. Capital Budgeting is an Budget Regarding Financial Projects .
8. ADR and GDR both are forms of international debt securities.
9. Preference share capital is a short term capital source.
10. ADR stands for American Depository Receipt.

Q.2 Calculate the EPS for the following different financial plans. 15 Marks

Particulars	A	B	C
Output (units)	60,000	15,000	1,00,000
Total Operating Cost (Rs.)	1,90,000	3,65,000	35,000
Variable cost per unit (as % of sales)	33 1/3	30	20
10% Borrowed Capital (Rs.)	4,00,000	8,00,000	Nil
Selling Price per unit (Rs.)	6.00	50	1
Tax rate	40%	40%	40%
No. of Equity Shares	7,800	15,250	2,600

OR

Q.2 (A) T Ltd. issued Rs. 100 lakhs, 12% Debentures of Rs. 100 each. Corporate tax rate is 40%. Calculate the cost of debt in each of the following cases:

- If Debentures are issued at par with 5% flotation cost on issue price.
- If Debentures are issued at 10% premium with 5% flotation cost on issue price.

- If Debentures are issued at 10% discount with flotation cost on issue price.

8 marks

Q.2 (B) The following details relating to a company are given:

Sales per annum	1,00,000 units
Variable cost	Rs. 90 per unit
Fixed cost including interest per annum	Rs. 18,00,000
Selling price per unit	Rs. 120
10% Debentures	Rs. 30,00,000
Corporate Tax Rate	30%

Calculate:

A Operating leverage

B Financial leverage

C. Combined leverage 7 marks

Q.3 Dharma Ltd. is considering to purchase a machine. Two machines A and B are available at the cost of Rs. 1,20,000 each. Earnings after tax but before depreciation are likely to be as under:

Years	Machine A	Machine B
1	50,000	20,000
2	40,000	30,000
3	30,000	50,000
4	20,000	40,000
5	20,000	40,000

Evaluate the two alternatives by using Pay-back methods. 15 marks

OR

Q.3 M/s Sun and Moon Co. Ltd. is considering to select on project out of two alternative projects both with life of 5 years and following particulars are given: 15 marks

Particulars	Years	Project X (Rs.)	Project Y (Rs.)
Capital investment	Year 0	2,00,000	1,00,000
Income	Year 1	60,000	50,000

	Year 2	40,000	45,000
	Year 3	40,000	30,000
	Year 4	35,000	30,000
	Year 5	40,000	20,000

The expected rate of return is 14% p.a. The present value of Rs. 1 at 14% p.a. from year 1 to 5 is as under:

Year	**1**	**2**	**3**	**4**	**5**
Present value Factor	0.88	0.77	0.68	0.59	0.52

You are required to calculate the comparative profitability of the two projects by using net present value method and advise the management suitably.

Q.4 The data relating to two Companies are as given below: 15 marks

Particulars	Company A	Company B
Equity capital	Rs. 6,00,000	Rs. 3,50,000
12% Debentures	Rs. 4,00,000	Rs. 6,50,000
Output (units) per annum	60,000 units	15,000 units
Selling price / unit	Rs. 30	Rs. 250
Fixed cost per annum	Rs. 7,00,000	Rs. 14,00,000
Variable Cost per unit	Rs. 10	Rs. 75

You are required to calculate the operating leverage, financial leverage and combined leverage of two companies.

Q.4 (A) Joona Manufacturing co. ltd. wishes to purchase a machine. You are to advise the directors from the following information supplied to you: by Net present Value Method 8 marks

Particulars	Machine A Rs.	Machine B Rs.
Initial Outlay	10,000	10,000
Cash inflows		
Year 1	1,000	3,000
Year 2	3,000	3,000
Year 3	3,000	3,000
Year 4	3,000	1,000
Year 5	3,000	-
Year 6	4,000	-

The cost of capital is 10%.

Present value of Rs. 1 at a discount factor of 10%:

Year	**1**	**2**	**3**	**4**	**5**	**6**
P. V. Factor	0.909	0.826	0.751	0.683	0.621	0.564

Q.4 (B) Your client is holding the following securities: 7 marks

Particulars of Securities	**Cost (Rs.)**	**Dividend/Interest (Rs.)**	**Market Price (Rs.)**
Equity shares:			
Gold Ltd.	10,000	1,725	9,800
Silver Ltd.	15,000	1,000	16,200
Bronze Ltd.	14,000	700	20,000
GOI Bonds	36,000	3,600	34,500

Calculate rate of return on each security and the market portfolio.

Q.5 (A).what do you mean by Debentures? Explain its types 8 marks .

Q.5 (B) Distinguish Between Operating Leverage and financial leverage 7

OR

(C) Write short note on : (any Three) 15 marks

1. Preference Share
2. American Depository Receipt
3. Foreign Direct Investment
4. Equity Shares
5. Global depository Receipt