

**VidyaVikasMandal's**

**Shree Damodar College of Commerce & Economics, Margao-Goa**

**SY BBA(FS), Semester-IV, (Repeat) Semester End Assessment November 2022**

**BFS CC 13: Corporate Finance**

**Duration: 02 hours**

**Maximum Marks: 60**

**Instructions:**

- 1) Start each question on fresh page.
- 2) Figures to the right indicate maximum marks.
- 3) Q.1 is compulsory, however internal choice is available
- 4) Answer any Four from Q.2 to Q.6.

**Q.1. Write short notes on ANY FIVE of the following. (5x4=20 Marks)**

- a) Time value of money.
- b) Constant Growth Model.
- c) Term structure of interest rates.
- d) Valuation through Price Earning (P/E).
- e) Loan Amortization.
- f) Benefits of Investing in Bonds.

**Q.2. Investments in bonds being a major component of individual and institutional portfolio investments, a deeper understanding of the different aspects of investing in bonds, different types of bonds, risks associated with bonds is warranted for making appropriate decisions. Elaborate. (10 Marks)**

**Q.3. Stock valuation is an important tool that helps an investor to take an informed investment decision by predicting the potential market prices. Elaborate. (10 Marks)**

**Q.4. a) A fireman invests Rs. 40, 000 in a retirement account for 3 years. The interest rate is 7%. The interest is compounded annually. What will his final balance be? (02 Marks)**

- b) Mr. Rahul is expecting a rate of 40 percent and has bought the stock of Company A, Company B and Company C. Find out the holding period return and indicate which of the company stocks fulfils the expectations of Mr. Rahul if the purchase price, the end price and dividend is as follows: (08 Marks)

| Stocks    | 12 <sup>th</sup> April 2021<br>Rs. | 15 <sup>th</sup> April 2022<br>Rs. | Dividend<br>Rs. |
|-----------|------------------------------------|------------------------------------|-----------------|
| Company A | 210                                | 285                                | 1.5             |
| Company B | 150                                | 210                                | 2               |
| Company C | 385                                | 472                                | 3               |

- Q.5. Morning Star Company has been experiencing an above average dividend growth rate of 15 percent for the past five years. The above normal growth rate is expected to continue for another five years before it levels off at a normal rate of 7 percent indefinitely. The last dividend paid by the company is Rs. 1.5 per share. Determine the current value of stock as per two stage growth model if its required rate of return is 20 percent. The market price of Morning Star Company stock is Rs. 24. Indicate with reasons whether it is advisable to buy the shares of Morning Star Company. (10 Marks)

- Q.6. Mr. Anil wants you to evaluate the following two specific bonds in order to help him to take an investment decision. Bond X and Bond Y carry a coupon rate of 12 percent and 8 percent respectively and has a maturity period of 5 years. Both the bonds have a face value of Rs. 1,000 and are currently yielding 10%. Calculate the Macaulay's Duration of the bonds and advise Mr. Anil which of the bonds he could invest in. (10 Marks)

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