Vidya Vikas Mandal's
Shree Damodar College of Commerce & Economics, Margao-Goa
TY BBA(FS), Semester V (REGULAR) Semester End Examination January 2022
BFS CC 16: 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) Answer any four from Q.2 to Q.6

Q.1. Answer any five of the following questions. (05x04=20)

i. Differentiate between Nominal interest rate and Real interest rate.

ii. Hunda share prices on 1st April 2019 was Rs. 1200 and the price on 10th March 2020 was Rs. 1300. The dividend received was Rs. 10. What is the holding period rate of return? Calculate the dividend yield and capital gain yield.

iii. Explain the Time Value of Money. What is the role of interest rate in it?

iv. Compute Yield to Call based on the following data.
Current market price is Rs. 1044
Number of years to maturity is 15 years
The coupon rate is 5.4%
Face value of the bond is Rs. 100
Call price is Rs. 1084
Years until call date is 5 years
And the discount rate is 12%.

v. What is a Preference Share? Highlight the different types of preference shares.

vi. Differentiate between Government bond and Corporate bond.

Q.2. SP ltd is currently selling at Rs. 59 per share. The stock is expected to pay Rs. 12 as a dividend per share at the end of next year. It is reliably estimated that the stock will be available for Rs. 78 at the end of one year.
a) If the forecasts about the dividend and price is same, is it advisable to buy at the present price? The required rate of return is 15%.
b) If the investor requires 12% rate of return when the dividend remains constant, what should be the price at the end of the first year? (10)

Q.3. It is advisable to select a loan based on the individual business profile and requirements. Explain the various sorts of loans available in India in this context. (10)

Q.4. Sipla company has common shares outstanding in the market with price earning ratio of 20. The annual expected growth in earning, dividend and price is 8%. The earning per share is Rs. 3.5. The dividend payout is 65% and the investor wants to hold the stock for 4 years. The required rate of return is 20%, what would be the Present value? (10)

Q.5. Calculate the duration for a bond P and bond R with 8% and 9% coupon having a maturity period of 4 years. The face value is Rs. 1000. Both the bonds currently yield 6%. (10)

Q.6. In the context of finance, why would a company buy back its common stock shares? Explain the advantages and disadvantages of it. (10)