

Vidya Vikas Mandal's  
Shree Damodar College of Commerce & Economics, Margao-Goa  
TY BBA(FS), Semester V (REPEAT) 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 1<sup>st</sup> April 2019 was Rs. 1200 and the price on 10<sup>th</sup> 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 earnings 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)