

Vidya Vikas Mandal's  
\*Shree Damodar College of Commerce & Economics, Margao-Goa\*  
T Y. BBA (FS), Semester V, End Semester Examination, *April* 2017

**CORPORATE FINANCE**

Timing: 2 Hours

Max.Marks:60

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Instructions:    *All questions are compulsory*  
                      *Start each question on a fresh page*  
                      *Figures to right indicate maximum marks*

**Q1. Write short notes on Any Three of the following :-** (3x4 = 12)

- a. Loan Amortisation
- b. Merits of Fixed Income Securities
- c. Forms of Mergers
- d. Yield to Maturity and Yield to Call

**Q2.a.** XYZ Limited stock is currently selling at Rs 30/- per share. The stock is expected to pay Re. 1 as dividend per share at the end of the next year. It is reliably estimated that the stock will be available for Rs.35 at the end of one year. (06)

- i. If the forecasts about the dividend and price are accurate is it advisable to buy at the present price? His required rate of return is 20%.
- ii. If the investor requires 15% return when the dividend remains constant what should be the price at the end of the first year?

**b. Discuss the Characteristics of Equity shares.** (06)

**OR**

**Q2.x.** The Bosch company has common shares outstanding in the market with price earnings ratio of 15. The annual expected growth in earnings, dividend and price is 7%. The Earning per share is 2.5, dividend payout ratio is 60% and investor wants to hold stock for 4 years. The rate of return is 15%. What would be the present value? (06)

**y.** Current dividend on an equity share of Tanay ltd is Rs.3.00. Tanay Ltd is expected to enjoy an above normal growth rate of 40% for 5 years. Thereafter, the growth rate will fall and stabilize at 12%. Equity investors require a return of 15% from Tanay Ltd stock. What is the intrinsic value? (06)

**Q3.a.** Answer the following questions with regards to Bond Valuation: - (12)

- i. What is the value of a 5 year, Rs.1000/- par value bond with a annual coupon payment of Rs.80 if its required rate of return is 10%?
- ii. What is the value of 20 years, 10% coupon rate bond having face value of Rs.1000/- if its discount rate is 8%? The bond matures is 5 years.
- iii. A bond of Rs. 1000 par value with a coupon rate of 12% will mature after 7 years. What is the value of bond if discount rates are 14% and 12%?
- iv. What is the Yield to call of a 20 year, Rs. 1000 par value bond with a 14.81% annual coupon and if the bond is called after 5 years at a call price of Rs. 1148? The current market price is Rs. 806.71/-.
- v. The face value of the bond is Rs.1000/-, current market price is Rs. 700/- and coupon rate is 8%. What is the current yield?

**OR**

**Q3.x.** Calculate the Duration of Bond A and Bond B with 9 % and 10% coupon rate respectively having a maturity of 5 years. The face value is Rs 1000. Both bonds are currently yielding 8%. (06)

y. Modern foods, a manufacturer of fast food is expected to earn Rs. 4/- per share next year and pay a dividend of Re.1 per share. Earnings and dividend are expected to grow at indefinite period of 9%. If the rate of return is 12%, what should be the theoretical value of the stock? (02)

z. Briefly explain any two theories of Term structure interest rate. (04)

**Q4.a.** What is Cash Dividend? Explain the payment chronology of dividend with example. (06)

b. Explain Stock Split with the help of an example. (06)

**OR**

x. Companies pay the dividend in the form of Cash and Non cash. Explain the forms of Dividend. (12)

**Q5.a.** What is Spin Off? Discuss the financial problems faced after Mergers. (08)

b. Briefly explain the types of Takeovers. (04)

**OR**

x. What is a Merger? Discuss the advantages of Merger and acquisitions. (12)

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