

VVM'S SHREE DAMODAR COLLEGE OF COMMERCE & ECONOMICS
TY BBA (FS), SEMESTER V, SEMESTER END ASSESSMENT, Repeat April 2018
SUBJECT: CORPORATE FINANCE

TIMING: 3 HOURS

MARKS: 60

Important Instructions:

- All questions are compulsory
- Start each question on a fresh page
- Figure to the right indicate maximum marks

Q1. Write a short note on any four of the following: - (4 x 4 Marks) ... 16 Marks

- a) Loan amortization
- b) Time value of money
- c) Anticipated rate of return
- d) Stock split
- e) Simple Interest rate

Q2. Solve any three of the following: - (3 x 4 Marks) ... 12 Marks

a. Following are the prices and other details of three company stocks from Metal Industry for the year 2016. Calculate the return of individual stock.

Stocks	Price (Rs.) as on 1 st Jan 2016	Dividend paid per share (Rs.)	Ending Price (Rs.) as on 31 st Dec 2016
Tata Steel	387.00	22.00	503.00
Hindalco	169.00	12.00	157.00
Vedanta	206.00	17.50	330.00

b. If Rakhi deposit Rs. 6500 into an account paying 6% annual interest compounded quarterly, how much money will be in the account after 5 years?

c. MRF Ltd. stock is currently traded at Rs. 63,050 per share. The stock is expected to pay Rs. 1000/- as dividend per share at the end of the year. The stock is expected to reach to the mark of Rs. 77,300/- at the end of one year. Calculate and comment as to whether the stock is advisable to buy at the present price assuming expected rate of return is 25%.

d. An investor purchased a bond at a price of Rs. 1500 with Rs 150 as annual coupon payment and sold it at Rs. 1650. What is the holding period return on the bond?

Q3. a) Explain the factors affecting the stock dividend policy of the organisation. **6 Marks**

OR

b) Discuss the different types of loans provided to the corporate. **6 Marks**

Q4. a) 'Macaulays duration of interest rates affects the decision to purchase bond.' Discuss the relationship between duration and price change. **6 Marks**

OR

b) Mention the advantages and disadvantages of stock repurchase. **6 Marks**

Q5. a) Elaborate on the different types of dividend offered by an organisation. **5 Marks**

b) Distinguish between Real and Nominal interest rate with a suitable example. **5 Marks**

OR

Q5. x) Explain the legal provision for dividend in India as per new companies act. **10 Marks**

Q6. a) 'Bonds are less risky than stocks'. Enumerate the different risks attached to the bond. **4 Marks**

b) A four year bond with 7% coupon rate and maturity value of Rs. 2000/- is currently selling at Rs 1810/-. Calculate its yield to maturity. **6 Marks**

OR

Q5. x) The Grace & Co. has common shares outstanding in the market with price earnings ratio of 15. The annual expected growth in earnings, dividends and price is 7 per cent. The earnings per share is Rs. 2.5, the dividend payout is 60% and the investor wants to hold the stock for 4 years. The required rate of return is 15 per cent. What would be the present value as per multiple year holding period? **06 Marks**

y) Explain any two bond theories. **04 Marks**
