

**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 Four of the following :-** (4x4 = 16)

- a. Merits of Fixed Income Securities
- b. Time value of money
- c. Takeovers
- d. Demerits of Equity financing
- e. Types of Bond risk

**Q2. Answer any Two from the following: -** (02 \* 12= 24 marks)

- a. Explain the different types of Mergers with the help of examples.
- b. Companies pay the dividend in the form of Cash and Non cash. Explain the forms of Dividend.
- c. Explain the Provision of payment of Dividend in India as per Companies Act 2013.

**Q3. Answer any Two from the following: -** (02 \* 06= 12 Marks)

- a) Sita Limited stock is currently selling at Rs 25 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.29 at the end of one year.
  - 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) The cat company has common shares outstanding in the market with price earning 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?

- c) Return of XYZ Company at present is 21%. This is assumed to be same for next 5 years. It is also assumed to have a growth rate of 10% indefinitely. The dividend paid for the year 2016-17 is 32%. The required rate of return is 20% and present price is Rs.57. What is estimated price according to two stage growth model?

**Q4. Answer any Two questions from the following: - (02\*04= 08 marks)**

- a. An investor purchased a bond on 31<sup>st</sup> January 2013 at a price of Rs. 401 and price in November 2013 was Rs. 480. Coupon payment is Rs.50. What is the holding period return of the bond? If the bond is sold for Rs. 350 after receiving Rs.50 as coupon payment, then what is the holding period return?
- b. ABC Ltd has 14% debentures with face value of Rs 100 that matures at par in 15 years. The debenture is callable in 5 yrs at Rs 114. It currently sells at Rs. 105. Calculate:-
- Yield to maturity
  - Yield to call
- c. Explain the features of Preference Shares.

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