

Roll No:

VVM's Shree Damodar College of Commerce & Economics  
T.Y.BBA(FS), Semester-V; Semester-End Assessment, October 2019  
Code:BFS C503 Sub:CORPORATE FINANCE

Duration: 3 hours

Max. Marks: 60

**Instructions:**

- Start each question on fresh page.
- Figures to the right indicate maximum marks.
- All questions are compulsory, however internal choice is available.
- Answers to sub questions for Q.1 should be approximately 100 words each.
- Answers to sub questions for Q.5 should be approximately 400 words each.
- Use of Non-Programmable Calculator is permitted.

**Q.1. Answer any three from the following.**

**(3x4=12)**

- a. Explain the concept of Loan amortization.
- b. Explain any two theories of Bond.
- c. Differentiate between Equity shares and Preference shares.
- d. Explain the concept of Stock split with the help of an example.

**Q.2. Solve any three from the following.**

**(3x4=12)**

- a. Mr. Sid has bought the ABB company stock that has paid Rs. 5 as a Dividend per share during the last financial year. He anticipates two situations – either a 7% decline or 7% growth in the Dividend in the next year. His anticipated return is 20%. Fix the price for both the situations.
- b. Heru share price on 10<sup>th</sup> September 2018 was Rs. 1500. The rate of return is 20% and Rs. 10 is the dividend received. Assuming that the dividend will be the same and the stock price will be around Rs. 1850. Calculate the present value of the stock and also interpret whether the investor should buy or not.
- c. i.) An investor purchases a bond at Rs. 1000 with Rs. 100 as a coupon payment and sells it at Rs. 1200. What is his Holding Period Return. ii.) If the bond is sold for Rs. 900 after receiving Rs.200 as a coupon payment, what is the Holding Period Return?

d. Find the Current Yield for the following stocks assuming Rs. 200 as a face value.

Bond	Annual Coupon Payment	Current Market Price
A	5%	205
B	8.5%	228
C	12.45%	235

**Q.3. A)** The return of ICIC company at present is 25%. This is assumed to continue for the next 4 years and after that it is assumed to have a growth rate of 10% indefinitely. The dividend paid for the year 2017-18 is 38%. The required rate of return is 20% and the present price is Rs. 65. What is the estimated price according to the Two stage growth Model. **(01x12=12)**

**OR**

**Q.3. B)** Kasio Computer co. Ltd. has common shares outstanding in the market with Price Earning Ratio of 20. The annual expected growth in earning dividend and price is 9%. The Earning Per Share is Rs. 4.5. the Dividend payout is 70% and the investor wants to hold the stock for 4 years. The required rate of return is 20%. What would be the present value according to Multiple Period Model. **(01x12=12)**

**Q.4.A)** Calculate the duration for Bond X and Y with 8% and 10% coupon respectively having a maturity period of 4 years. The face value is Rs. 1000. Both the bonds currently yield 7%. **(01x12=12)**

**OR**

**Q.4.B)** Yield to Call on a 30-year 8% bond that is callable in 5 years at a price of Rs. 1100. The bond pays annual coupon and selling for Rs. 1080. Assume the discount rate at 5%, 7% and 15% and Interpret. **(01x12=12)**

**Q.5.A)** "Declaration and payment of dividend is subject to various provisions under Companies Act 2013." In the light to this context, explain the provisions for declaration of Dividend. **(01x12=12)**

**OR**

**Q.5.B)** Explain the different types of loans. **(01x12=12)**