Vidya Vikas Mandal's

Shree Damodar College of Commerce and Economics, Margao-Goa

T Y. BBA(FS), Semester V, End Semester Examination, April 2016

CORPORATE FINANCE

Timing: 2 Hours **Max.Marks:60**

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. Time value of money
b. Effect of Interest rate on bond price
c. Merger or Amalgamation
d. Preference shares
e. Stock Split

Q2.a. Roopa 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? **(06)**

b. What are Equity Shares. Explain the features of Equity shares. **(06)**

OR

Q2.x. A research study has stated that a rate of return of ambuja cement company due to capital appreciation and dividend after making adjustment for the outflow of income is 16.27%. For the period 2003-2008, let us assume that return would continue to grow at this rate for another 4 years. The recent dividend paid by the company to shareholder's is 40% and the EPS in October 2008 is Rs. 35 and P/E is 4.8. If the investor wants to buy and hold the stock for another 4 years, what would be the ideal price if its required rate of return is 20%. The price is Rs.167 on 14/10/2008. **(06)**

y. Return of Star 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 2010-11 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. **(06)**

Q3.a. Damodar Rao is the CEO of ABC company, an investment advisory firm. He has been requested to give a seminar to a group of finance executives drawn from state run universities. he has asked you to help him to make his power point presentation. In particular, you have to answer the following questions: **(12)**

i. What is a Bond? How is the value of Bond calculated?

ii. What is the value of a 9 year , Rs.1000 par value bond with a 10% annual coupon if its required rate of return is 8%?

iii. What is the value of the bond described in part (ii) if it pays interest semi-annually, other things being equal?

iv. What is the Yield to maturity of a 6 year, Rs. 1000 par value bond with a coupon rate of 10%. Interest is paid semi annually and bond sells for Rs. 1050?

v. What is the Yield to call of a 6 year, Rs. 1000 par value bond with a 10% annual coupon and if the bond is called after 3 years at a premium of Rs.50?

OR

Q3.x. Calculate the Duration of Bond A and Bond B with 7 % and 8% coupon rate respectively having a maturity of 4 years. The face value is Rs 1000. Both bonds are currently yielding 6%. **(06)**

y. An investor purchased a bond on 31st 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 recieving Rs.50 as coupon payment , then what is the holding period return? **(04)**

z. What is Holding period return? **(02)**

Q4.a. Explain the Provision of payment of Dividend in India as per Companies Act 2013. **(12)**

OR

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

y. What is Dividend? Explain the Factors affecting Dividend Policy. **(06)**

Q5.a. What is Acquisition? Explain the Advantages of Mergers and Acquisitions. **(06)**

b. Discuss the Financial problems faced by companies after mergers. **(06)**

OR

Q5.x. What is a Merger? Explain the types of Mergers. **(12)**

****