

**Vidya Vikas Mandal's**

**Shree Damodar College of Commerce and Economics, Margao-Goa**

**T Y. BBA(FS), Semester V, End Semester Examination, October 2015**

**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:**

**(4x3 = 12)**

- a. Factors Affecting Dividend Policy
- b. Takeovers
- c. Types of Bond risks
- d. Disadvantages of equity financing
- e. Three Phase model

**Q2.a.** Tata company 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 Preference shares? Highlight the features of Preference shares.

**(06)**

**OR**

**Q2.x.** The stuart 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?

**(06)**

**y.** Anish wants to buy Moon company's share that have paid a dividend of Rs. 1.5 during the last financial year. He requires 18% return from his investment. Analyst suggest that earnings and dividend on the stocks will grow at a rate of 15% for the next 5 years and thereafter at rate of 10%. What is the fair price expected by Anish according to two stage growth model?

**(06)**

**Q3.a.** Calculate the duration of Bond A and Bond B with 6% and 7 % coupon rate respectively having a maturity of 6 years. The face value is Rs 1000. Both the bonds are currently yielding at 10%. (06)

**b.** An investor purchased a bond at a price of Rs. 900 with Rs.100 as coupon payment and sold it at Rs. 1000. What is the holding period return of the bond. If the bond is sold for Rs. 750 after receiving Rs.100 as coupon payment , then what is the holding period return? (04)

**c.** Briefly explain Bond with embedded options. (02)

**OR**

**Q3.x.** Salora 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:-

a) Yield to maturity

b) Yield to call (04)

y. Explain the theories of Term structure of Interest rates. (08)

**Q4.a.** Explain Stock Dividend with an example. Discuss the advantages of Stock dividend. (06)

**b.** Explain Cash Dividend with an Example. Highlight the Forms of cash dividend. (06)

**OR**

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

**Q5.a.** Efficiency theory is a mechanism by which capital can be used more efficiently and the productivity of the firm can be increased through economies of scale. Explain. (10)

**b.** What do you understand by Spin Off. (02)

**OR**

**Q5.x.** What are Mergers and Acquisitions? Explain the different types of Mergers. (12)

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