

VVM's SHREE DAMODAR COLLEGE OF COMMERCE & ECONOMICS
TYBBA(FS), SEMESTER V, SEMESTER END ASSESSMENT, JANUARY 2021
CODE: BFS CC 16 COURSE: CORPORATE FINANCE

Timing: 02 hours

Max Marks: 60

Instructions: i) All Questions are Compulsory; however internal choice is available.
 ii) Figures to the right indicate maximum marks.
 iii) Start each question on a fresh page.

Q.1. Answer ANY THREE from the following. (03x04=12)

- a) Distinguish between Simple Interest and Compound Interest.
- b) "Amortization is the process of spreading out a loan into a series of fixed payment." Comment.
- c) "Splitting a stock affects the number of shares of stock outstanding and its market price." In the light of this context, explain the reasons of stock split.
- d) Differentiate between Cash Dividend and Stock Dividend.
- e) Explain the Interest rate risk factor with respect to bond and bond fund investments.

Q.2.a. Calculate the present value of shares using Multiple period model. (01x12=12)
 State Bank of India has common shares outstanding in the market with the price earnings ratio of 5.2. The annual expected growth in earnings, dividend and price is 9%. The earning per share is Rs.3.9, the dividend pay-out is 50% and the investors wants to hold the stock for 6 years. The rate of return is 23%. What would be the present value of the stock?

OR

Q.2.x. Calculate the estimated stock price using Two stage growth model. (01x12=12)
 The return of ABJ Shipyard Ltd. at present is 24%, it is assumed to continue for next 4 years after that it is assumed to have a growth rate of 10%. The dividend paid for the year 2018-19 is 5.2. The rate of return is 20%, the present price of the stock is Rs. 96.

Q.3.a. "Stock Valuation integrates the theoretical and the practical worlds into a single resource for the valuation of publicly traded companies". With reference to this context explain in detail the factors affecting share prices. (01x12=12)

OR

Q.3.x. Calculate price of the share using Single period Valuation Model. (01x06=06)
 Hindustan Unilever Ltd. Stock is currently selling at Rs.60 per share. The stock is expected to pay Rs.15 as a dividend per share at the end of the next year. It is estimated that the stock will be available for Rs.. 95 at the end of one year.

(i) If the forecasts about the dividend and price, is it advisable to buy at the present price? If the rate of return is 30%.

(ii) If the investor requires 25% rate, when the dividend remains constant. What should be the price at the end of the first year.

Q.3.y. Ms. Kadambari bought Stocks of Bosch, Axis bank, Lupin, and Bank of Baroda expecting a rate of return of 70% after a year, the purchase price and the end price are given below. Which stock or stocks fulfil the expectation of Ms. Kadambari. (01x06=06)

Stocks	01/01/2020	31/12/2020	Dividend in (Rs.)
Bosch	1230	1950	29
Axis Bank	1560	2750	26
Lupin Ltd.	1798	3540	25
Bank of Baroda	1568	2500	65
Reliance Communication	1900	3500	25

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.x A 20-year 8% bond that is callable in 5 years at a price of Rs. 1100. The bond pays annual coupon and is selling for Rs. 1080. Assume the discount rate at 5%, 7% and 14%. Calculate Yield to call and interpret the same. (01x12=12)

- Q.5. a.** "Bonds vary according to who issues them, length until maturity, interest rate and risk." Elucidate this statement by explaining any 6 types of bonds. (01x06=06)
- b.** "A business is always in need of money; the business needs to determine the type of loan it requires considering their needs and then apply for a specific loan." Comment. (01x06=06)

OR

Q.5. x. What is Stock Repurchase? Explain any 4 advantages of stock repurchase. (01x06=06)

y. Explain in details the Provisions of Dividend Payment and Declaration as per Companies Law. (01x06=06)
