SY(FM) Corporate finance.

MN10AGH

Oct 2012

TIME : 2 Hrs.

Q.1 a) Define corporate finance and explain the various features of corporate finance. (7)

b) What are the different goals of financial management? (8)

OR

Q.1 A firm finances all its investments by 40% Debt and 60 % equity. The estimated required rate of return on equity is 10% after Taxes and that of the debt is 6% after taxes.

The firm is considering an investment proposal costing ₹ 12,00,000/- with expected return that will last forever. What amount must the proposal yield per year so that market price of the share does not change? Show calculations to prove your answer. (15)

Q.2 a) What is Marginal costing? Explain the various features of marginal costing. (7)

b) Explain in detail the cost- volume- profit analysis. (8)

OR

Q.2 A company produces and sells 1500 units of a product per month at the rate of ₹ 30/- If the variable cost is ₹ 18/- per unit and fixed costs are ₹ 4500/- per month. Calculate. (15)

1. Break even point in Units
2. If selling price is reduced by 20% calculate new Break even point in units.
3. Calculate number of units to be sold at the reduced selling price to earn a profit of ₹ 6000/-

Q.3 a) What is over Capitalization? Explain the different causes of over capitalization. (7)

b) Explain the various essentials of optimum capital structure. (8)

OR

Q.3 Mayur is considering investing his money in one of the two following alternatives The returns provided by both the alternatives are as follows. (15)

Year	Alernative 1	Alternative 2
1	50,000	40,000
2	55,000	45,000
3	60,000	50,000
4	65,000	80,000
5	65,000	80,000

Calculate the NPV of both the alternatives and determine which one is better.

The initial investment in both alternatives is ₹ 2,00,000/-

The expected rate of Return is 12%

Year	1	2	3	4	5
Discount Factor @ 12 %	0.8929	0.7972	0.7118	0.6355	0.5674

Q.4 a) "Ploughing back of profit is an internal source of finance". Discuss. (7)

b) What is Merchant banking? Explain the different functions of merchant Banker. (8)

OR

Q.4

Particulars	**Situation I**	**Situation II**
Equity share Capital	15,00,000	3,00,000
8% preference share Capital		4,50,000
10 % Debentures		7,50,000
Total Capital Employed	15,00,000	15,00,000
Net Profit Before Interest and Tax (NPBTT)	4,80,000	4,80,000
Income Tax @ 30%		

From the above information, Calculate.

1. Profits available to Equity shareholders for situation I & II
2. Return on Equity incase of situation I and II

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