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SYBMS
Comp. Fin
8/10/15

Marks-75 **Duration-2hrs30min**

Notes-All the questions are compulsory carrying 15 marks each.

Q.1) Attempt any 2

a) What are the features of Corporate Finance? (7.5M)

b) Explain the causes of over capitalisation. (7.5M)

c) What are the qualities of finance manager? (7.5M)

Q.2) Attempt any 2

a) Following is the capital structure of XYZ Ltd you are required to calculate the Weighted Average Cost of Capital

Equity Share Capital Rs 3,00,000

9% Preference shares Rs 2,00,000

10% Debentures Rs 5,00,000

Company's shares are quoted at Rs 102 . The expected dividend Rs 9 per year Tax rate 50% The growth rate is expected to be 6% p.a. (7.5M)

b) Following is the capital structure of ABC Ltd

Equity Share Capital (Rs 100 each)	Rs 20,00,000
Retained Earnings	Rs 10,00,000
9% Preference Shares	Rs 12,00,000
7% Debentures	Rs 8,00,000

The company is intending to expand its business hence it requires an additional capital of Rs 25,00,000 for expansion programme. The expected Earnings Before Interest and Taxes is Rs 9,00,000.The tax rate is 50%. The company is considering two alternatives for raising additional funds-

1) Issue of Equity of Shares only
2) Issues of 8% Debentures only.

You are required suggest the best alternative for the company. (7.5M)

c) Calculate Degree of Operating Leverage, Degree of Financial Leverage from the following information for Company A, B and C

Particulars	Company A	Company B	Company C
Output in units	60000	15000	100000
Fixed Cost	Rs 50000	Rs 10000	Rs 100000
Variable Cost	Rs 2	Rs 2	Rs 4
Selling Price per unit	Rs 7	Rs 7	Rs 10
Interest	Rs 20000	Rs 15000	Rs 100000

(7.5M)

Q.3) Attempt any 2

a) Lotus Ltd issued 12% Debentures with a face value of Rs 1000 redeemable at par after 8 years. Assume tax rate @ 35% p.a. Floatation Cost is 4%. Determine Cost of Debt if they are issued at –

1) Par 2) 5% Discount 3) 5% Premium (7.5M)

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b) Magic Ltd is considering the expansion of its business. For this purpose they are willing to invest in the Project X. The initial outlay of the project is Rs 200000. Life of the asset is 5 years. Cost of capital is 10%. Following details are furnished for your consideration-

No of years	Profit After Tax before Depreciation (Rs)	PV factor @10%
1st year	35000	0.909
2nd year	80000	0.826
3rd year	90000	0.757
4th year	75000	0.683
5th year	25000	0.621

You are required to calculate Net Present Value and Payback Period

(7.5M)

c)i) A firms current EPS is Rs 5. P/E Ratio is 14/1. Growth rate of EPS 10%.Calculate the stock value using Capitalisation of earnings method. What is its value in 3 years using same method?

ii) Calculate Yield To Maturity from the following -

A GOI bond of Rs 1000 each Coupon rate 6% p.a. Maturity period is 16 years. Current market price is Rs 1020. **(7.5M)**

Q.4) Attempt any 2

a) What are the types of foreign collaboration? **(7.5M)**

b) Explain the advantages of Public Deposit. **(7.5M)**

c) Write a note on NBFC. **(7.5M)**

Q.5) A BC Ltd needs Rs 50,00,000 for establishment of new project. The expected rate on return is 24% on the capital. The tax rate assumed @ 30%. The company has taken into consideration three alternatives-

1) Issue of 5,00,000 Equity Shares only of Rs 10 each.

2) Issue of 2,50,000 Equity Shares of Rs 10 each and Issue of 25000 Debentures of Rs 100 carrying interest of 8%

3) Issue of 2,50,000 Preference Shares of Rs 10 each with 9% dividend and 25000,10% Debentures of Rs 100 each

Which option company should adopt ? Offer your suggestions. **(15M)**