**ST. JOSEPH’S COLLEGE (AUTONOMOUS), BENGALURU -27**

**B.com– IV SEMESTER**

**SEMESTER EXAMINATION: APRIL 2023**

**(Examination conducted in May 2023)**

**BC4222 – CORPORATE FINANCE**

**(For current batch students only)**

**Time: 2 Hours Max Marks: 60**

**This paper contains \_\_\_\_\_\_ printed pages and \_\_\_\_\_ parts**

**PART-A**

**Answer any FIVE Questions (5\*3=15).**

1.State any three arguments against profit maximisation.

2.What is Trading on Equity?

3.State the types of dividend policy.

4.State the importance of Capital rationing.

5.What is VED analysis?

6.If NPV is 50,000 and TPV of Cash inflow is 80,000, find Profitability Index

**Part B**

**Answer any TWO Questions (2\*5=10).**

7.Explain in brief any five determinants of dividend policy

8.Calculate the Overall Cost of Capital based on market value, from the following if the market price per equity share is Rs.120.The Kp is 12%.The tax rate is 50%..The dividend per share is Rs.10 and the growth rate is 5%

| Particulars | Amount |
| --- | --- |
| 12%Preference shares | 2,00,000 |
| 8%Debentures | 80,000 |
| Equity shares of 100 each | 1,00,000 |
| Retained earnings | 30,000 |

9.Briefly explain any five factors affecting working capital requirements in an organisation.

**Part C**

**Answer any TWO Questions (2\*10=20).**

10.Explain the problems associated with

a. excess working capital

b. Inadequate working capital in an organisation.

11.The variable cost of Sunrise Ltd. is 25,000. The working capital turnover ratio of the company is 4 (working capital turnover ratio=Sales/Working capital).

a. Calculate the leverages of the company if the Fixed costs are 30,000

b. Also calculate the EBIT if EPS is 8.Tax rate is 40%.

| **PARTICULARS** | **AMOUNT** |
| --- | --- |
| Equity share capital of 10 each | 80,000 |
| 10% debentures | 40,000 |
| Current labilities | 30,000 |
| **TOTAL** | **1,50,000** |
| Fixed assets | 1,00,000 |
| Current Assets | 50,000 |
| **TOTAL** | **1,50,000** |

12.Moonlight Ltd. requires a machine which needs an initial investment of Rs.3,20,000. Tax rate is 55%. Calculate Post pay back period, Post pay back profitability index and ARR from the below information.

| **Year** | **Profits after depreciation and taxes** |
| --- | --- |
| 1 | 1,60,000 |
| 2 | 60,000 |
| 3 | 1,08,000 |
| 4 | 1,12,000 |
| 5 | 96,000 |

**Part D**

**Answer the following Question: (1\*15=15).**

13.BC Ltd. is considering the purchase of a machine. Suggest the better machine as per

a. NPV at 12% discounting rate.

b. PBP

Assume a tax rate of 50%

| **PARTICULARS** | **MACHINE A** | **MACHINE B** |
| --- | --- | --- |
| Cash outflow | 2,00,000 | 1,50,000 |
| Profit before depreciation and taxes |  |  |
| 1 | 50,000 | 36,000 |
| 2 | 60,000 | 40,000 |
| 3 | 70,000 | 44,000 |
| 4 | 50,000 | 30,000 |
| 5 | 40,000 | 32,000 |

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