**ST.JOSEPH’S UNIVERSITY, BENGALURU -27**

Registration Number:

Date & session:

**B.com BPS– III SEMESTER**

**SEMESTER EXAMINATION: OCTOBER 2023**

**BPS3222 – CORPORATE FINANCE**

**(For regular students)**

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

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

**PART-A**

**Answer any FIVE questions 5\*3=15**

1.Contrast traditional and modern finance function.

2.Mr. Rakesh is a fruit juice seller. Explain VED analysis from his perspective.

3. What is time value of money principle? What is its relevance in the calculation of NPV?

4.State any three benefits of bonus shares.

5.The Ke of a company is 25%. The corporate tax rate is 50% and the individual tax rate is 40%. If the brokerage is 3%, find cost of retained earnings.

6.The P/V ratio of a firm is 25%. The fixed cost is Rs.1,00,000. If variable cost of the company is 6,00,000, find operating leverage of the company.

**PART-B**

**Answer any two questions 2\*5=10**

7. "Dividend policy is not just about sharing profits; it's a strategic decision that shapes a company's relationship with its shareholders and influences its future growth." Explain the different options a company can adopt with respect to the above.

8.”Capital budgeting decisions are like a soft bed on which the company can rest tomorrow”. Justify the above statement.

9. A company issues Rs.10,000/- 5% redeemable debentures at 5 % premium, redeemable at a premium of 10% after 5 years. The floatation cost was 5% on the face value. If the tax rate is 35%, find the pre and post tax cost of debt.

**PART-C**

**Answer any two questions 2\*10=20**

10. Sunshine Ltd had the following capital structure

Rs.1,00,000 equity share capital (Rs.10 /share)

12% Debentures-Rs.8,00,000

6% Preference shares -Rs.3,60,000

The company is in need of another Rs.15,00,000. The following options are available for the same. Calculate EPS and suggest the best option if the tax rate is 50% and EBIT is Rs.20,00,000.

* + Completely through equity shares of 10 each
	+ 5,00,000 through equity shares of 10 each, Rs,5,00,000 through 10% debentures and the remaining through 8% preference shares.
	+ Completely through 8% preference shares.

11.From the following information from the books of ABC Ltd, prepare a ‘marginal cost statement’. (Ignore decimals)

* EPS =4
* Equity share capital (of Rs.6 each) =Rs.60,00,000
* 8% Debentures = 4,00,000
* Tax rate = 35%
* 12%Prefernce share capital =1,00,000
* Variable Cost = 20% of sales.
* Contribution =80,00,000

12. "Mastering inventory management: where supply meets demand with perfect harmony” Explain the various techniques that will help an organization in this.

**PART-D**

**Answer the following question 1\*15=15**

13.The Life span of a project is 6 years. The depreciation charged on the above project as per Straight line method is is 30,000 p.a. Calculate the Pay back period, Post pay back period, Post pay back profit and NPV for the project from the following information. The tax rate is 30%. Discounting rate is 12%.(Ignore decimals)

|  |  |
| --- | --- |
| Year | Profits before dep and tax |
| 1 | 1,00,000 |
| 2 | 1,10,000 |
| 3 | 80,000 |
| 4 | 1,12,000 |
| 5 | 90,000 |
| 6 | 1,20,000 |

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