DSEBB – 504

V Semester B.B.A. Examination, February/March 2024
(NEP Scheme) (Freshers)
BUSINESS ADMINISTRATION
Advanced Corporate Financial Management

Time : 2½ Hours Max. Marks : 60

Instruction : *Answers should be written completely in* ***English.***

SECTION – A

Answer **any 5** questions. **Each** question carries **2** marks. **(5×2=10)**

1. a) What is cost of capital ?
   b) Find co-efficient of variation, if standard deviation is ₹ 3,795 and expected NPV is ₹ 9,000.
   c) Write the meaning of dividend.
   d) What is stock dividend ?
   e) Write the meaning of combination.
   f) What is ethics ?
   g) Mention any 4 types of cost of capital.

SECTION – B

Answer **any 3** questions from this Section. **Each** question carries **4** marks. **(3×4=12)**

2. A company issues ₹ 50,00,000, 10% redeemable debentures at a discount of 5%. The costs of floatation amount to ₹ 1,50,000. The debentures are redeemable after 5 years at par. The tax rate is 50%. Calculate cost of debt capital.

3. A Company Ltd. is considering the purchase of a new investment. Two alternative investments are available A and B costing ₹ 1,00,000. Cash flows are expected to be as follows :

Year	Cash flow of Project – A (₹)	Cash flow of Project – B (₹)
1	40,000	50,000
2	35,000	40,000
3	25,000	30,000
4	20,000	30,000

The company has a target return on capital of 10%. Risk premium rate is 2% and 8% respectively for investments A and B. Which project should be preferred for investment ?

4. Show the impact of 0%, 40%, 80%, 100%. Dividend payout ratio on market price per share.

Firm A	**Firm B**	**Firm C**
r = 0.15	r = 0.10	r = 0.08
K = 0.10	K = 0.10	K = 0.10
E = Rs. 8	E = Rs. 8	E = Rs. 8

5. Explain briefly financial evaluation of a merger.

6. Explain transaction cost theory.

SECTION – C

Answer **any 3** questions from this Section. **Each** question carries **10** marks. **(3×10=30)**

7. A company's expected annual net operating income is ₹ 1,00,000 and it has ₹ 3,00,000, 10% debentures. The equity capitalisation rate is 12%.
   a) Calculate the value of the firm and overall capitalisation rate under net-income approach.
   b) Find out the impact on the value of the firm and overall capitalisation rate by increasing the debt component to ₹ 4,00,000 and decrease in debt upto ₹ 2,00,000 (cost remains the same).

8. From the following information, ascertain, which project is more risky on the basis of standard deviation and also calculate co-efficient of variation.

Project A		**Project B**	
Cash flows (₹)	**Probabilities**	**Cash flows (₹)**	**Probabilities**
2,000	0.1	2,000	0.1
4,000	0.3	4,000	0.2
6,000	0.2	6,000	0.4
8,000	0.2	8,000	0.2
10,000	0.2	10,000	0.1

9. Show the impact of 40%, 60%, 80% dividend payout ratio on the value of the firm.

A	**B**	**C**
r = 0.15	r = 0.10	r = 0.08
K = 0.10	K = 0.10	K = 0.10
E = Rs. 8	E = Rs. 8	E = Rs. 8

Since the dividend payout ratio is 0, 40, 60, 80%, the retention ratio becomes 60%, 40%, 20%.

10. Explain the reasons and types of combinations.

11. Explain briefly the fundamental principles of governance and ethics.

SECTION – D

Answer **any one** question from this Section. **(1×8=8)**

12. The universal textile manufacturers limited is considering an investment is one of the two mutually exclusive proposal project X and Y. Which require cash outlays of ₹ 3,50,000 and ₹ 3,00,000 respectively. The risk adjusted rate of return is 8%. Find out NPV if the cash flows for three years are :

Year	Cash flows of X (₹)	Cash flows of Y (₹)
1	1,50,000	1,80,000
2	2,00,000	2,60,000
3	2,50,000	2,50,000

13. KEA Company Ltd. is manufacturing detergents. They decide to launch a new range of herbal products. As they are in a hurry, they have tested products on animals only. The necessary information is missing on the package. The management also plan to launch a new factory in a tribal area where the required products are available for work at low wages in the absence of development opportunities and school.

    a) Which ethical value is disturbing in the above case ?

    b) Will the decision to install a new unit in a tribal area help society ?

    c) Highlight the social values involved in his decision.