GALGOTIAS UNIVERSITY

ADMISSION NUMBER												

School of Finance and Commerce

Bachelor of Commerce Honours

Semester End Examination - Nov 2023

Duration : 180 Minutes
Max Marks : 100

Sem V - H1UB503T - Business Finance

General Instructions
Answer to the specific question asked
Draw neat, labelled diagrams wherever necessary
Approved data hand books are allowed subject to verification by the Invigilator

1) State the relevance of EPS. K1 (2)

2) Explain, with relevant examples, the concept of Net working capital. K2 (4)

3) The Apex Co. which earns Rs. 5 per share, is capitalized at 10% and has a return on investment of 125. Using Walter's model, determine: i. The Optimum pay-out; and ii. The price of the share at this pay-out. K2 (6)

4) From the following information, compute values for the capitalization, capital structure and financial structure of the company: K3 (9)

5) Examine the relevance of FDI for the host country. K3 (9)

6) From the information provided for two rival firms, X Ltd. and Y Ltd.: K5 (10)

	X Ltd.	Y Ltd.
R	12%	6%
Ke	8%	8%
E	Rs. 10	Rs. 10

Compute the value of an equity share of these companies applying Walter's model when dividend pay-out ratio is: a. 0% b. 60% c. 100%

7) The following information is available in respect of the return on investment (r), the cost of capital (Ke), and the earning per share (E) of XYZ Ltd. R = 10% E = Rs. 40 Determine the value of its shares using Gordon's Model, assuming the following: K4 (12)

Options	D/P Ratio (1-b)	Retention Ratio (b)	Cost of Equity (Ke)%
A	20	80	20
B	40	60	18
C	60	40	16
D	80	20	14

8) Following information is available about a company: Cost of Capital = 10% Rate of return on investment = 15% Earning per share = Rs. 5 The company has 10 lakh equity shares of Rs. 10 each. Estimate the value of the firm using Walter's model to determine the value of the firm in 3 cases:- 1. 100% retention 2. 50% retention 3. No retention K5 (15)

9) Explain various components and combinations that may form part of the capital structure of a firm. K5 (15)

10) Paramount Products Ltd. wants to raise Rs. 100 lakh for diversification project. Current estimates of EBIT from the new project is Rs. 22 lakh p.a. The cost of debt will be 15% for amounts up to and including Rs. 40 lakh, and 16% for additional amounts up to and including Rs. 50 lakh and 18% for additional amounts above Rs. 50 lakh. The equity shares (face value of Rs. 10) of the company have a current market value of Rs. 40. This is expected to fall to Rs. 32 if debts exceed Rs. 50 lakh are raised. The following options are under consideration by the company. K6 (18)

Option	Debt	Equity
I	50%	50%
II	40%	60%
III	60%	40%

Propose your decision regarding the option to choose based on the EPS. Assume the Tax rate as 50%.