

School of Finance and Commerce**Bachelor of Business Administration in Financial Investment Analysis
Semester End Examination - Aug 2024**

Duration : 180 Minutes
Max Marks : 100

Sem III - H1UA303B - Corporate FinanceGeneral 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) Firm pays tax at 60%. Compute the after tax cost of capital of a preferred share sold at Rs. 100 with a 8%. Dividend and a redemption price of Rs.110, State if the company redeems in five years K1(2)
- 2) Classify what is the goal of the firm? K2(4)
- 3) Summarize wealth maximization objective. K2(6)
- 4) A company plans to issue 1000 new shares of Rs 100 each at par. The floatation cost is expected to be 5% of the share price. The company pays a dividend of Rs. 10 per share initially and the growth in dividends is expected to 5%, Evaluate the cost of the new issue of equity share. K3(9)
- 5) Evaluate the concept of long-term investment decision. State out the principles. K3(9)
- 6) A company issues 1000 equity shares of Rs. 100 each at a premium of 10%. The company has been paying 20% dividend to equity shareholders for the past five years and expects to maintain the same in the future also. Compute the cost of equity capital, Will it make any difference if the market price of equity share is Rs. 160? K5(10)
- 7) An investor observes following movement in the price of stock of A Ltd. and B Ltd. and value of index at two different point of time:
Particulars Time t=0 Time t=1 Price of Stock of A Ltd. 40 52 Price of Stock of B Ltd. 42 41 Conclude the beta of stocks and suggest which stock shall be purchased when (i) The markets are expected to rise. (ii) The markets are expected to fall. K4(12)
- 8) Define the various short- and long-term sources of capital available to the business. K5(15)
- 9) Define what are the different sources of funds available in the market? List few of them. K5(15)
- 10) What is an annuity? Is an annuity worth more or less than a lump sum payment received now that would be equal to the sum of all the future annuity payments? Evaluate the statement. K6(18)