

School of Finance and Commerce

**Bachelor of Commerce Honours
Semester End Examination - Jul 2024**

**Duration : 180 Minutes
Max Marks : 100**

Sem V - H1UB503T - Business 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) State any 2 assumptions of MM Approach for dividend decisions in the absence of taxes. K1(2)
- 2) "Investment, financing and dividend decisions are interrelated". Comment. K2(4)
- 3) Calculate cost of equity capital using CAPM approach from the following information: Risk-free rate of return - 11%; Beta Co-efficient of the firm - 1.25 Also, calculate cost of equity capital if Beta Co-efficient of the firm rises to 1.75 K2(6)
- 4) Examine the relevance of the primary market and secondary market. K3(9)
- 5) Briefly explain various factors that have an impact on the Cost of Capital. K3(9)
- 6) Critically examine equity shares. K5(10)
- 7) (a) A Company expects a net income of Rs. 1,00,000. It has Rs. 2,50,000, 8% debentures. The equality capitalization rate of the company is 10%. Calculate the value of the firm and overall capitalization rate according to the net income approach (ignoring income tax). (b) If the debenture debts are increased to Rs. 4,00,000. What shall be the value of the firm and the overall capitalization rate? K4(12)
- 8) "Determinants of Foreign Investment have been categorized into three groups – each of them mirroring the main inspirations of investing resources into foreign nations." Justify the statement by explaining host-country economic determinants for foreign investment. K5(15)
- 9) Explain in detail various kinds of debentures that a business concern may issue. K5(15)
- 10) Compute the market value of the firm, the value of shares, and the average cost of capital from the following information. • Net operating income Rs. 1,00,000 • Total investment Rs. 5,00,000 The equity capitalization Rate is: (a) 10% - If the firm uses no debt (b) 11% - If the firm uses Rs. 2,50,000 debentures (c) 13% - If the firm uses Rs. 4,00,000 debentures Assume that Rs. 3,00,000 K6(18)

debentures can be raised at a 6% rate of interest whereas Rs. 4,00,000 debentures can be raised at a 7% rate of interest.