



**MBA-161100010406**

Seat No. \_\_\_\_\_

**B. B. A. (Sem. IV) Examination**

**March / April - 2018**

**Corporate Finance**

**(New Course)**

Time :  $2\frac{1}{2}$  Hours]

[Total Marks : 70

1 Discuss in detail any two long term sources of finance. 14

**OR**

1 Write a note on :

(a) Venture capital 7

(b) Lease finance 7

2 (a) Discuss concept and significance of inventory management. 7

(b) Discuss cash budget in detail. 7

**OR**

2 Explain in detail concept, significance and elements of receivables management. 14

3 Explain the term cost of capital. Discuss the computation of cost of debt, cost of preference capital and cost of equity. 14

**OR**

3 The following is an extract from the Balance Sheet of ABC Ltd as on 31<sup>st</sup> March, 2017 : 14

Equity shares of Rs. 10 each ..... 26,00,000

Reserves ..... 24,25,000

9% Preference shares Rs. 100 each ..... 22,50,000

14% Debentures ..... 25,00,000

Total long-term funds ..... 97,75,000

The ordinary shares are quoted at Rs. 8. Assume that the market estimate of the next ordinary dividend is Re. 0.40, growing thereafter at 6% p.a. infinitely. The preference shares, which are irredeemable, are quoted at Rs. 90 and the debentures are quoted at par. Corporation tax is 50%.

Calculate weighted average cost of capital of the firm.

- 4 What is over capitalization? Discuss causes, effects and remedies of over capitalization. 14

**OR**

- 4 The capital structure of Hypothetical Ltd. consists of the following securities : 14

10% Debentures ..... Rs. 10,00,000

12% Preference shares ..... Rs. 2,00,000

Equity shares of Rs. 100 ..... Rs. 8,00,000

Operating profit (EBIT) of Rs. 3,20,000 and the company is in 50% tax bracket.

- (i) Determine the company's EPS  
(ii) Determine the per cent change in EPS associated with 30% increase and 30% decrease in EBIT.  
(iii) Determine the degree of financial leverage.

- 5 Discuss in detail determinants of dividend policy. 14

**OR**

- 5 Explain types of dividend. Also discuss legal provisions regarding payment of dividend. 14

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