RAK-161100010606 Seat No. ______

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

March / April - 2019

Corporate Finance

(Management) (New Course)

Time : $2\frac{1}{2}$ Hours] [Total Marks : **70**

1 Discuss the classification of various sources of finance in detail. **14**

OR

1 (a) Briefly explain the concept of bridge financing. **7**

(b) Explain the meaning of 'Leasing' along with its benefits. **7**

2 Define the term "working capital" and discuss the factors affecting working capital in detail. **14**

OR

2 Write short notes : (any **two**) **14**

(1) ABC Analysis

(2) Cash Budget – Advantages

(3) Determinants of Receivable Management

3 Kohinoor Company has a following capital structure : **14**

	Rs.
8% debentures of Rs. 100 each	14,00,000
12% Red. Preference shares of Rs. 100 each	3,50,000
Equity shares of Rs. 10 each	17,50,000
	35,00,000

Other Information is as follows :

(1) Market Price of Debenture is Rs. 105.

(2) Market Price of Preference share is 115.

(3) Market value of Equity share is Rs. 20

Anticipated external financing opportunities are :

(1) 8% Debentures of Rs. 100, payable at par after 10 years, 4% floatation costs and sales price Rs. 100.

(2) 12% Preference shares of Rs. 100, redeemable at par after 12 years, 4% floatation costs and sales price Rs. 100.

(3) Equity shares, sales price Rs. 20.

(4) The dividend expected on the equity shares at the end of the year is Rs. 2 per share, the anticipated growth rate in dividend is 6% and the company has the practice of paying all its earnings in the form of dividends.

(5) The tax rate is 50%.

From the above information, calculate Weighted Average Cost of capital on the basis of the following : Market value weights.

OR

3 Define cost of capital and explain its importance in financial management. **14**

4 Explain the meaning of capitalization. Discuss the causes and effects of over capitalization in detail. **14**

OR

4 Two companies – Ram and Shyam have following capital structure. **14**

Particulars	**Company – Ram**	**Company – Shyam**
Equity share capital (Rs. 10 each)	Rs. 1,50,000	Rs. 80,000
10% Debentures	Rs. 50,000	Rs. 1,20,000

The earning before interest and tax of both the companies are Rs. 40,000 and tax benefit is 40%.

(1) Calculate the financial leverage of both the companies.

(2) Calculate the EPS of each company.

5 Write short notes : (any **two**) **14**

(1) Types of Dividend

(2) Walter's model of dividend.

(3) Forms of Dividend

(4) Factors to consider before determining dividend policy.