**ST. JOSEPH’S COLLEGE (AUTONOMOUS), BENGALURU -27**

Registration Number:

Date & Session

**B.com (Commerce)– III SEMESTER**

**SEMESTER EXAMINATION: OCTOBER 2022**

**(Examination conducted in December 2022)**

**BPS3222 – CORPORATE FINANCE**

**Time: 2 Hours Max Marks: 60**

**This paper contains \_\_\_\_\_\_ printed pages and \_\_\_\_\_ parts**

**PART-A**

**(Answer any 5 questions) 5\*3=15 marks**

1.What is stock split? How is it different from a bonus share?

2.What is pay-out ratio? If pay out ratio is 20% and the amount of profits is 2,00,000,what is the amount kept by the company as retained earning?

3.State the 4 main elements of Corporate Finance.

4.If Interest is 300 and Financial Leverage is 4,find out EBIT

5.What is an operating Cycle?

6.If Profitability index is 3 and Total present values of Cash inflows is 900,find out Net Present Value of the Project.

**PART-B**

**(Answer any 2 questions) 2\*5=10 marks**

7. The total asset turnover ratio of a company is 4 and the total assets are twice the amount of Fixed assets. The fixed assets of the company are Rs.2,50,000.The selling price per ut is Rs 10.Th variable cost per unit is Rs.7/unit. The fixed costs are Rs.4,00,000 and the Company has a debt of Rs.10,00,000 at 12% interest. Calculate the three leverages.

8.Elucidiate the main steps in financial planning

9.It is proposed to start a business requiring capital of Rs.20,00,000 and the expected rate of return is 15%.Tax rate is 50%.Calculate EPS if

a.Total capital is financed by Equity of Rs.100/share

b.It is financed by 50% equity of Rs 100/share and 50% by debt carrying 10% interest.

**PART-C**

**(Answer any 2 questions) 2\*10=20marks**

10.Management of working capital is an essential task of a finance manager .Discuss the relevance of having adequate working capital in an organisation.

11.Explain the significance of cost of capital. Also Calculate the individual cost of capital in the following situations:

**a.** A company issues Rs.10,000 10%debentures of Rs 100 each at par, redeemable after 10 years at a premium of 10%.The tax is 50%.

**b.** A company issued 10,000 10% debentures of Rs.100 each at a premium of 10% redeemable after 10 years at a premium of 20%.Tax rate is 50%.

12.Explain the different types of dividend policies adopted by organisations. Also elaborate on the various form of dividend paid by organisations.

**PART-D**

**(Compulsory Question) 1\*15=15marks**

13.ABC Ltd has under consideration two mutually exclusive proposals for the purchase of a new equipment.

|  |  |  |
| --- | --- | --- |
| PARTICULARS | Machine A | Machine B |
| Initial investment | 1,00,000 | 75,000 |
| Scrap | nil | nil |
| Life | 5 | 5 |
| Profits before depreciation and taxes |  |  |
| 1 | 25,000 | 18,000 |
| 2 | 30,000 | 20,000 |
| 3 | 35,000 | 22,000 |
| 4 | 25,000 | 20,000 |
| 5 | 20,000 | 16,000 |

Assuming tax rate is 50%,suggest the better alternative according to

a.Pay back Period **(5marks)**

b.NPV if the discounting rate is 10%. **(10 marks)**

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