

**Vth SEMESTER
CORPORATE FINANCE**

Time : 3 hrs.

Max. Marks : 70

Note : Attempt two questions each from Section-A and Section-B. Section-C is compulsory.

Section - A

1. What are the different types of Financial Management decision that a firm makes? 10
2. Define Cost of Capital. Explain about computation of cost of different components of capital. 10
3. O Excel Industries Ltd. has assets of Rs.1,60,000 which have been financed with Rs.52,000 of debt and Rs.90,000 of equity and a general reserve of Rs.18,000. The firm's total profit after interest and tax for the year ended 31st March, 2018 were Rs.13,500. It pays 8% interest on borrowed funds and is in the 50% tax bracket. It has 900 equity shares of Rs.100 each selling at a market price of Rs.120 per share. What is the weighted average cost of capital?
4. A company has to make a choice between buying of two machines. Machine A would cost Rs.1,00,000 and require cash running expenses of Rs.32000 p.a. Machine B would cost Rs.1,50,000 and its cash running expenses would amount to Rs.20,000 p.a. Both the machines have a life of 10 years with zero salvage value. The company follows straight line depreciation and is subject to 50% tax on its income. The company's required rate of return is 10% which machine should it buy? Present value of Rs.1 per annum for 10% discount rate is 6.1446. 10

Section - B

5. Discuss Relevance Model of dividend policy. 10
6. Define Working Capital. Discuss the nature and significance of Working Capital.
7. The Capital Structure of the Progressive Corporation Ltd., consists of an equity share capital of Rs.10,00,000 (Shares of Rs.10 par value) and Rs.10,00,000 of 20% debenture. Sales increased by 25% from 2,00,000 units to 2,50,000 units, selling price is Rs.10 per unit, variable costs amount to Rs.6 per unit and fixed expense amount to Rs.2,50,000. Income tax rate is assumed to be 50%.
You are required to calculate the following :
 - (i) The percentage increase in earnings per shares.
 - (ii) The degree of financial leverage at 2,00,000 units and 2,50,000 units.
 - (iii) The degree of operating leverage at 2,00,000 units and 2,50,000 units. 10
8. A company is planning an expansion program which will require Rs.50,000 and can be funded through one of the three following options:
 - (i) Issue further 5,000 equity shares of Rs.10 each.

(ii) Issue further 5,000, 12% preference shares of Rs.10 each.

(iii) Issue 10% debenture of Rs.50,000

The present paid up capital is Rs.1,00,000 divided into shares of Rs.10 each and the annual EBIT is Rs.30,000. The tax rate may be taken at 50%.

You are required to calculate the effect of each of the above modes of financing on EPS presuming:

(i) EBIT continues to be the same even after expansion

(ii) EBIT increases by Rs.10,000

10

Section - C

9. Write short note on any ten :

- (i) Nature of Corporate Finance
- (ii) Profit vs. Wealth Maximization
- (iii) Financial Leverage
- (iv) Post-Pay back Profitability Index
- (v) Accounting Rate of Return Method
- (vi) Operating Leverage
- (vii) Scrip Dividend
- (viii) Annuity
- (ix) Temporary Working Capital
- (x) Residual Dividend Policy
- (xi) Time value of money
- (xii) Optimal Capital Structure

10x3=30

ਭਾਗ - ਓ

1. ਕੋਈ ਫਰਮ ਵਿੱਤੀ ਪ੍ਰਬੰਧ ਦੇ ਕਿਸ ਪ੍ਰਕਾਰ ਦੇ ਵਿਭਿੰਨ ਫੈਸਲੇ ਕਰਦੀ ਹੈ? ਹਰੇਕ ਬਾਰੇ ਸੰਖੇਪ ਚਰਚਾ ਕਰੋ।
2. ਪੂੰਜੀ ਦੀ ਲਾਗਤ ਨੂੰ ਪਰਿਭਾਸ਼ਿਤ ਕਰੋ। ਪੂੰਜੀ ਦੇ ਵਿਭਿੰਨ ਸੰਘਟਕਾਂ ਦੀ ਲਾਗਤ ਅੰਕਲਣ ਬਾਰੇ ਚਰਚਾ ਕਰੋ।
3. O Excel Industries Ltd. has assets of Rs.1,60,000 which have been financed with Rs.52,000 of debt and Rs.90,000 of equity and a general reserve of Rs.18,000. The firm's total profit after interest and tax for the year ended 31st March, 2018 were Rs.13,500. It pays 8% interest on borrowed funds and is in the 50% tax bracket. It has 900 equity shares of Rs.100 each selling at a market price of Rs.120 per share. What is the weighted average cost of capital?
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ਭਾਗ - ਅ

5. ਲਾਭੰਸ਼ ਨੀਤੀ ਦਾ ਸਾਰਥਕ ਮਾਡਲ ਵਿਚਾਰੋ। 10
6. ਕਾਰਜੀ ਪੂੰਜੀ ਨੂੰ ਪਰਿਭਾਸ਼ਿਤ ਕਰੋ ਅਤੇ ਕਾਰਜੀ ਪੂੰਜੀ ਦੀ ਪ੍ਰਕਿਰਤੀ ਅਤੇ ਮਹੱਤਵ ਦੀ ਚਰਚਾ ਕਰੋ।
7. The Capital Structure of the Progressive Corporation Ltd., consists of an equity share capital of Rs.10,00,000 (Shares of Rs.10 par value) and Rs.10,00,000 of 20% debenture. Sales increased by 25% from 2,00,000 units to 2,50,000 units, selling price is Rs.10 per unit, variable costs amount to Rs.6 per unit and fixed expense amount to Rs.2,50,000. Income tax rate is assumed to be 50%.
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ਭਾਗ - ਏ

9. ਕਿਸੇ 10 'ਤੇ ਸੰਖੇਪ ਨੋਟ ਲਿਖੋ :

- (1) ਕਾਰਪੋਰੇਟ ਵਿੱਤ ਦੀ ਪ੍ਰਕਿਤਰੀ ਵਿਚਾਰੋ।
- (2) ਲਾਭ ਬਨਾਮ ਦੌਲਤ ਦਾ ਅਧਿਕਤੀਕਰਣ ਵਿਚਾਰੋ।
- (3) ਵਿੱਤੀ ਲੀਵਰੇਜ ਤੋਂ ਕੀ ਭਾਵ ਹੈ?
- (4) ਪੋਸਟ-ਪੇ ਬੈਂਕ ਪ੍ਰੋਫਿਟਿਬਲਿਟੀ ਇੰਡੈਕਸ ਕੀ ਹੁੰਦਾ ਹੈ?
- (5) ਲਾਭ ਦੀ ਲੇਖਾਕਾਰੀ ਦਰ ਵਿਧੀ ਤੋਂ ਕੀ ਭਾਵ ਹੈ?
- (6) ਸਕਰਿਪ ਲਾਭੰਸ਼ ਤੋਂ ਕੀ ਭਾਵ ਹੈ?
- (7) ਸਾਲਾਨਾ ਵਜ਼ੀਫ਼ਾ ਕੀ ਹੁੰਦਾ ਹੈ?
- (8) ਆਰਜ਼ੀ ਕਾਰਜੀ ਪੂੰਜੀ ਤੋਂ ਕੀ ਭਾਵ ਹੈ?
- (9) ਰੈਜ਼ੀਡੂਅਲ ਲਾਭੰਸ਼ ਨੀਤੀ ਤੋਂ ਕੀ ਭਾਵ ਹੈ?
- (10) ਓਪਰੇਟਿੰਗ ਲੀਵਰੇਜ ਕੀ ਹੁੰਦੀ ਹੈ?
- (11) ਮੁਦਰਾ ਦੀ ਟਾਈਮ ਕੀਮਤ ਤੋਂ ਕੀ ਭਾਵ ਹੈ?
- (12) ਉਚਿਤ ਪੂੰਜੀ ਸੰਰਚਨਾ ਤੋਂ ਕੀ ਭਾਵ ਹੈ?