

END TERM EXAMINATION

FOURTH SEMESTER [B.COM(HONS.)] JUNE 2025

Paper Code: BCOM-204

Subject: Corporate Finance

Time: 3 Hours

Maximum Marks: 60

Note: Attempt all questions as directed. Internal Choice is indicated.

- Q1 Write short notes on **any five**:- (5x4=20)
- (a) Objectives of Financial Management
 - (b) Marginal Cost of Capital
 - (c) MM Approach of Capital Structure
 - (d) Cost-Benefit Analysis
 - (e) Determinants of Dividend Policy
 - (f) Optimum Capital Structure
 - (g) Types of dividend
- Q2 A finance company makes an offer to deposit a sum of Rs.1100/- and then receive a return of Rs. 80/- p.a. perpetually. Should this offer be accepted if the rate of interest is 8%? Will the decision change if the rate of interest is 5%? (10)
- OR**
- Q3 What distinguishes Economic Value Added (EVA) from Market Value Added (MVA) in financial analysis? (10)
- Q4. Explain, in brief the weights that you would take into consideration from computing weighted cost of capital. Why market value weights are considered superior to the book value weights? (10)
- OR**
- Q5. X Ltd. And Y Ltd. Are identical except that the former uses debt while the latter does not. The levered firm has issued 10% Debentures of Rs.9,00,000/-. Both the firms earn EBIT of 20% on total assets of Rs.15,00,000/-. Assuming tax rate of 50% and capitalization rate of 15% for an all-equity firm: (10)
- (i) Compute the value of the two firms using NOI approach.
 - (ii) Calculate the overall cost of capital for both the firms using NOI approach.
- Q6. Explain EBIT-EPS analysis. How is it different from Leverage Analysis? (10)
- OR**
- Q7. The following is the extract from the financial statements of ABC Ltd.

Operating Profit	Rs.153 lacs
-Interest on debentures	Rs. 33 lacs
-Income tax	<u>Rs.36 lacs</u>
Net Profit	Rs. 36 lacs
Equity share capital (of Rs.10 each)	Rs.200 lacs
Reserve and surplus	Rs.100 lacs
15% Debentures (Rs.100 each)	Rs.220 lacs
Total	<u>Rs.520 lacs</u>

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The market price of equity share and debenture is Rs.12 and Rs. 93.75 respectively. Find out (i) EPS, (ii) % cost of capital of equity and debentures. (10)

Q8. How does Gordon's Model differ from Walter's Model to relevance of dividends? What are their similarities? (10)

OR

Q9. Working Capital Needs of a firm are dependent upon the Operating and Cash Cycles. Elucidate. (10)



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