



V Semester B.B.A. Examination, February/March 2024  
(NEP Scheme) (Freshers)  
**BUSINESS ADMINISTRATION**  
**Advanced Corporate Financial Management**

Time : 2½ Hours

Max. Marks : 60

**Instruction :** Answers should be written completely in **English**.

SECTION – A

Answer **any 5** questions. **Each** question carries **2** marks.

(5×2=10)

- What is cost of capital ?
- Find co-efficient of variation, if standard deviation is ₹ 3,795 and expected NPV is ₹ 9,000.
- Write the meaning of dividend.
- What is stock dividend ?
- Write the meaning of combination.
- What is ethics ?
- Mention any 4 types of cost of capital.



SECTION – B

Answer **any 3** questions from this Section. **Each** question carries **4** marks. (3×4=12)

- A company issues ₹ 50,00,000, 10% redeemable debentures at a discount of 5%. The costs of floatation amount to ₹ 1,50,000. The debentures are redeemable after 5 years at par. The tax rate is 50%. Calculate cost of debt capital.
- A Company Ltd. is considering the purchase of a new investment. Two alternative investments are available A and B costing ₹ 1,00,000. Cash flows are expected to be as follows :

Year	Cash flow of Project – A (₹)	Cash flow of Project – B (₹)
1	40,000	50,000
2	35,000	40,000
3	25,000	30,000
4	20,000	30,000

The company has a target return on capital of 10%. Risk premium rate is 2% and 8% respectively for investments A and B. Which project should be preferred for investment ?

P.T.O.





4. Show the impact of 0%, 40%, 80%, 100%. Dividend payout ratio on market price per share.

Firm A	Firm B	Firm C
$r = 0.15$	$r = 0.10$	$r = 0.08$
$K = 0.10$	$K = 0.10$	$K = 0.10$
$E = \text{Rs. } 8$	$E = \text{Rs. } 8$	$E = \text{Rs. } 8$

5. Explain briefly financial evaluation of a merger.
6. Explain transaction cost theory.

## SECTION - C

Answer any 3 questions from this Section. Each question carries 10 marks. (3×10=30)

7. A company's expected annual net operating income is ₹ 1,00,000 and it has ₹ 3,00,000, 10% debentures. The equity capitalisation rate is 12%.
- Calculate the value of the firm and overall capitalisation rate under net-income approach.
  - Find out the impact on the value of the firm and overall capitalisation rate by increasing the debt component to ₹ 4,00,000 and decrease in debt upto ₹ 2,00,000 (cost remains the same).
8. From the following information, ascertain, which project is more risky on the basis of standard deviation and also calculate co-efficient of variation.

Project A		Project B	
Cash flows (₹)	Probabilities	Cash flows (₹)	Probabilities
2,000	0.1	2,000	0.1
4,000	0.3	4,000	0.2
6,000	0.2	6,000	0.4
8,000	0.2	8,000	0.2
10,000	0.2	10,000	0.1

9. Show the impact of 40%, 60%, 80% dividend payout ratio on the value of the firm.

A	B	C
$r = 0.15$	$r = 0.10$	$r = 0.08$
$K = 0.10$	$K = 0.10$	$K = 0.10$
$E = \text{Rs. } 8$	$E = \text{Rs. } 8$	$E = \text{Rs. } 8$

Since the dividend payout ratio is 0, 40, 60, 80%, the retention ratio becomes 60%, 40%, 20%.



- 10. Explain the reasons and types of combinations.
- 11. Explain briefly the fundamental principles of governance and ethics.

SECTION – D

Answer **any one** question from this Section.

Max. Marks (1×8=8)

- 12. The universal textile manufacturers limited is considering an investment is one of the two mutually exclusive proposal project X and Y. Which require cash outlays of ₹ 3,50,000 and ₹ 3,00,000 respectively. The risk adjusted rate of return is 8%. Find out NPV if the cash flows for three years are :

Year	Cash flows of X (₹)	Cash flows of Y (₹)
1	1,50,000	1,80,000
2	2,00,000	2,60,000
3	2,50,000	2,50,000

- 13. KEA Company Ltd. is manufacturing detergents. They decide to launch a new range of herbal products. As they are in a hurry, they have tested products on animals only. The necessary information is missing on the package. The management also plan to launch a new factory in a tribal area where the required products are available for work at low wages in the absence of development opportunities and school.

- a) Which ethical value is disturbing in the above case ?
- b) Will the decision to install a new unit in a tribal area help society ?
- c) Highlight the social values involved in his decision.

