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B.M.S COLLEGE FOR WOMEN
BENGALURU – 560004

V SEMESTER END EXAMINATION – JAN/FEB-2024
BBA-ADVANCED CORPORATE FINANCIAL MANAGEMENT
(NEP Scheme 2021-22 Onwards)

Course Code: BBA5DSCFN01
Duration: 2 ½ Hours

QP Code: 5506
Max marks: 60

SECTION-A

Answer any Five of the following questions. Each question carries Two Marks. (5x2=10)

1. a) What do you mean by cost of capital?
- b) What is risk?
- c) State the different motives of holding cash.
- d) What is dividend?
- e) List out any 4 techniques of measuring risk.
- f) State the capital structure theories.
- g) Define weighted average cost of capital.

SECTION- B

Answer any Four of the following question. Each question carries Five Marks. (4x5=20)

2. Elucidate the types of dividend.
3. Explain net income approach of capital structure theories with relevant assumptions.
4. In considering the most desirable capital structure for a company, the following estimates of debt and equity capital have been made at various level of debt equity mix. You are required to determine the optimal debt equity mix of the company by calculating WACC.

Debt as a % of total capital employed	Cost of debt (%)	Cost of Equity (%)
0	5	12
10	5	12
20	5	12.5
30	5.5	13
40	6	14
50	6.5	16

60	7	20
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5. Determine debtor's turnover ratio and average collection period if closing debtors is ₹ 40,000, opening debtors is ₹ 10,000, total sales is ₹ 4,00,000. Credit sales is 25% of total sales. Assume there are 360 days in a year.
6. Calculate the net present value of the project by using the risk-adjusted rate of return.

The cost of the project is ₹ 150,000. The cash inflows of the project are:

Year	1	2	3	4	5
Cash Inflow	20000	40000	60000	80000	100000

The risk-free rate of return is 10%. This Project has 4% quantified risk.

SECTION- C

Answer any Two of the following question. Each question carries Twelve Marks. (2x12=24)

7. Sonu Monu Company Ltd has given the following possible cash inflows for two of their projects X and Y. Out of which one they wish to undertake together with their associative probabilities. Both the projects will require an equal investment of Rs.5000.

Possible Event	Project X		Project Y	
	Cash inflow	Probabilities	Cash inflow	Probabilities
A	4000	0.1	12000	0.1
B	5000	0.2	10000	0.15
C	6000	0.4	8000	0.5
D	7000	0.2	6000	0.15
E	8000	0.1	4000	0.1

Which project is more risky by adopting co-efficient of variation method?

8. A company is expecting annual net operating income (EBIT) of ₹ 50000. The company has ₹ 200000, 10% debentures. The equity capitalization rate of the company is 12.5%. Calculate market value of equity, market value of the firm and cost of capital using Net Income Approach (NI Approach). Will there be any change if (a) Debentures are increased by ₹ 100000 (b) Debentures are decreased by ₹ 100000

9. Given the following information about the SMK ltd. Show the effect of the dividend policy on the market price of its shares using the Walter's model. Equity capitalization rate = 12%, Earnings per share = ₹ 8/-. Assumed returns on investments (r) are as follows:

a) $r = 15\%$, b) $r = 10\%$, c) $r = 12\%$

The company is considering a pay-out of 25%, 50% and 75%.

SECTION-D

Answer any One of the following question, carries Six Marks.

(1x6=06)

10. List out any 6 inventory management techniques.
11. Compare net income approach and net operating income approach.

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