SVKM's NMIMS
School of Distance Learning

Programme: PGDBM / PGDFM

Academic year: 2012 – 2013
Subject: Corporate Finance

Date: 10.01.2013

Semester: IV
Course: New
Marks: 70
Time: 3.00 p.m. to 6.00 p.m.

Instructions:

Candidates should read carefully the instructions printed on the question paper and on the cover of the Answer book, which is provided for their use.

NB:

1. All 4 questions are compulsory.
2. Candidates should attempt questions as per the internal options available.

Q.1. Write short notes on any two out of four (10)

a) Boumol Model
b) Multiple IRRS
c) Objectives of Capital Rationing
d) Profitability Index

Q.2. Discuss any two out of five (10)

a) Write a short note on CAPM
b) Cost of Equity
c) What are the factors influencing the size of Investment in receivables?
d) Bond Yield plus Risk Premium Approaches
e) Types of Leverages

Q.3. Attempt any three out of five (30)

a) A textile company's dividends have been expected to grow in the following manner:

1-2 years	15%
3-5 years	10%
6 years and beyond	5%

The company currently pays a dividend of Rs. 2 per share, which is currently selling at Rs. 75 per share. What would be the cost of equity capital assuming a fixed dividend payout ratio?

b) What do you mean by Realized Yield Approach? Explain.

c) Explain Modigliani Miller Model w.r.t. Dividend policy.

d) Write in detail about WAAC.

e) Which theory is given by David Durand? Also explain the assumptions.

Q.4. **a)** XYZ company buys 75,000 glass bottles per year. Price of each bottle is Rs. 0.90. Cost of purchase is Rs. 100 per order.

Cost of holding one bottle per year is Rs. 0.20. Bank interest is 15% including a charge for taxes and insurance. Find out EOQ quantity. (10)

b) Rama & Co. has 15% irredeemable debentures of Rs. 100 each for Rs. 10, 00,000. The tax rate is 35%. Determine debentures assuming it is issued at (10)

i. Face value/par value
ii. 10% premium
iii. 10% discount

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