



US – 503

VI Semester B.Com. Examination, May 2017
(2014-15 and Onwards) (Repeaters)

COMMERCE

Paper – 6.5 : Elective Paper – III : Corporate Financial Policy

Time : 3 Hours

Max. Marks : 100

Instruction : Answer should be **completely either in English or in Kannada**.

SECTION – A

Answer **10** sub-questions of the following. **Each** question carries **2** marks. (2×10=20)

1. a) What is profit maximization ?
- b) What is cumulative preference shares ?
- c) Mention any two disadvantages of retained earnings.
- d) What is WACC ?
- e) What is ploughing back of profits ?
- f) What are financial goals ?
- g) What is merger ?
- h) Give the meaning of the P/E ratio.
- i) State the formula for EPS.
- j) What is temporary working capital ?
- k) What is tax evasion ?
- l) What is interest rate swaps ?

SECTION – B

Answer **any four** of the following. **Each** question carries **8** marks.

(8×4=32)

2. Explain in brief criticism of wealth maximization.
3. Explain the sources of finances for corporates.
4. Discuss the types of mergers.
5. Explain the objectives of revaluation.

P.T.O.

6. Srushti Ltd., has a total capitalisation of Rs. 10 lakhs consisting entirely equity capital (Rs. 10 each). It is planning to raise an additional funds of Rs. 5 lakhs for implementing capital budgeting project. There are two alternatives available to the company.

- a) Entire equity share capital by issue of shares,
- b) Entire amount by debt at 10 percent interest.

The company is in the tax brackets of 50 percent. Calculate indifference point.

SECTION – C

Answer **any 3** of the following questions. **Each** question carries **16** marks. (16×3=48)

7. Explain the factors to be considered in formulating Financial Policy.
8. Explain the different methods of corporate valuation.
9. Explain the factors influencing the working capital.
10. Sneha and Co. Ltd. wants to takeover Akshay and Co., and the financial details of both are as below :

Particulars	Sneha and Co.	Akshay and Co.
Preference share capital	20,000	–
Equity share capital of Rs. 10 each	1,00,000	50,000
Share premium A/c	–	2,000
Profit and Loss A/c	38,000	4,000
10% debentures	15,000	5,000
	1,73,000	61,000
Fixed Assets less depreciation	1,22,000	35,000
Current Assets	51,000	26,000
	1,73,000	61,000
Profit after tax and pre dividend	24,000	15,000
Market price	24	27

What should be share exchange ratio to be offered to the shareholders of Akshay and Co. Ltd. based on

- (i) Net Assets Value (NAV), (ii) EPS (iii) Market price.

Which should be preferred from the point of view of Sneha and Co. Ltd. ?