



NP – 384

V Semester B.B.A. Examination, January/February 2026
(NEP) (Freshers + Repeaters)
BUSINESS ADMINISTRATION

Paper – 5.4/5.5 : Advanced Corporate Financial Management
(FN1) (Elective)

Time : 2½ Hours

Max. Marks : 60

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

SECTION – A

Answer **any six** sub-questions. **Each** sub-question carries **two** marks. **(6×2=12)**

1. a) Differentiate between systematic risk and unsystematic risk.
b) What is composite cost ?
c) Name any two theories of capital structure.
d) What do you mean by capital structure ?
e) What is vertical merger ?
f) What is dividend decision ?
g) What is sensitivity analysis ?
h) A firm expects a net operating income of ₹ 1,00,000. It has ₹ 5,00,000, 6% debentures, the overall capitalisation rate is 10%. Calculate the value of the firm.

SECTION – B

Answer **any three** questions. **Each** question carries **four** marks. **(3×4=12)**

2. Briefly explain any four reasons for mergers.
3. a) A company plans to issue 1000 new shares of ₹ 100 each at par. The floatation costs are expected to be 5% of the share price. The company pays a dividend of ₹ 10 per share initially and the growth in dividends is expected to be 5%. Compute the cost of new issue of equity shares.
b) If the current market price of an equity share is ₹ 150. Calculate the cost of existing equity share capital.

P.T.O.



4. Suggest which of the following proposals should be accepted using coefficient of variation :

Proposal	Expected NPV (₹)	Standard Deviation
A	19,000	4,500
B	23,000	6,200

5. A company expects a net income of ₹ 80,000. It has ₹ 2,00,000, 8% debentures. The equity capitalisation rate of the company is 10%. Calculate the value of the firm and overall capitalisation rate according to NI approach (ignoring income tax). If the debenture debt is increased to ₹ 3,00,000, what shall be the value of the firm and the overall capitalisation rate ?
6. Omega Company has a cost of equity capital of 10%, the current value of the firm (v) is ₹ 20,00,000 @ 20 per share. Assume value for I (new investment); Y (earnings) and D (dividends) at the end of the year as I = ₹ 6,80,000, Y = ₹ 1,50,000 and D = ₹ 1 per share. Show that under the MM assumptions, the payment of 'D' does not affect the value of the firm.

SECTION – C

Answer **any three** questions. **Each** question carries **twelve** marks. **(3×12=36)**

7. What do you mean by mergers and acquisitions ? Explain the types of mergers in detail.
8. From the information given below, find out which project is more risky A or B.

State of the Market	Probability of Occurrence	Actual cash flow	
		Project A (₹)	Project B (₹)
High	0.2	1,000	1,200
Normal	0.6	800	800
Medium	0.2	600	400

Also compute coefficient of variation.

9. The following details are furnished by the Gama Ltd.
- | | |
|----------------------------|-------------|
| E. share capital | ₹ 65,00,000 |
| 12% P. share capital | ₹ 12,00,000 |
| 15% redeemable debentures | ₹ 18,00,000 |
| 10% convertible debentures | ₹ 10,00,000 |
- The cost of equity capital for the Company is 17.20% and income tax rate for the company is 35%. You are required to calculate the WACC of the company.



10. The firms A and B are identical in all respects including risk factors except for debt equity mix. Firm A has issued 12% debentures of ₹ 15,00,000 while B has issued only equity. Both the firms earn 30% before interest and taxes on their total assets of ₹ 25,00,000. Assuming a tax rate of 50% and capitalisation rate of 20% for an all equity company. You are required to compute the value of the two firms using (i) NI approach and (ii) NOI approach.

11. The following information is available in respect of ABC Ltd.

Rate of return on investment (r) = (i) 15% (ii) 12% (iii) 10%

Cost of capital (K) = 12%

Earnings per share (E) = ₹ 10

Determine the value of its share using Gordon's model assuming the following :

Dividend payout ratio (1 – b)	Retention ratio (b)
a) 100	0
b) 80	20
c) 40	60
