EPS is ₹ 10, then calculate the value of the firm (share) using Walter's Model : (CO4)

(i) if DPR is 20%

(ii) if DPR is 50%

(c) Discuss Gordon's model of dividend payment in detail with its impact on growth and decline firms. (CO4)

5. (a) A company order in lots of 500 boxes, which is its quarterly demand. The cost per box is ₹ 250. The cost of placing an order is ₹ 100. and carrying cost is 10% of average inventory. Calculate the cost and compare it to the cost if EOQ is applied. (CO5)

(b) Explain in detail : (CO5)

(i) Credit Policy

(ii) Credit Terms

(iii) Collection Policy

(c) Explain in detail (with merits and demerits) : (CO5)

(i) Factoring

(ii) Trade Credit

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BCH–202

B. COM. (H) (SECOND SEMESTER) END SEMESTER EXAMINATION, July/Aug., 2022

BUSINESS FINANCE

Time : Three Hours

Maximum Marks : 100

Note : (i) All questions are compulsory.

(ii) Answer any *two* sub-questions among (a), (b) and (c) in each main question.

(iii) Total marks in each main question are **twenty**.

(iv) Each sub-question carries 10 marks.

1. (a) Explain CAPM in detail with its assumptions. (CO1)

(b) A Ltd. has issued a share of ₹ 100 each. The current dividends are ₹ 4.00 per share, which are expected to grow at 10% per annum for the first three years and then at

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the rate of 6% perpetually. Considering minimum required rate of return at 12%, calculate value of the share. (CO1)

(c) Mr. A holds the following portfolio :

Asset	Amount	Returns	Variance
Asset 1	₹ 10,000	10%	9
Asset 2	₹ 30,000	9%	16
Asset 3	₹ 20,000	12%	25

Calculate the return and risk of Mr. A's portfolio. (CO1)

2. (a) "Capital budgeting decisions are the most vital decision in any business." Comment on the following statement with detailed significance of such decisions. (CO2)

(b) Explain risk adjusted discounted rate with example and its relevance. (CO2)

(c) A project has a cost of ₹ 25,000 and is expected to generate cash inflows of ₹ 8,000; ₹ 13,000 and ₹ 17,000 for the next three years. Calculate the IRR of the project. (CO2)

3. (a) Explain MM theory of capital structure in detail. (CO3)

(b) A Ltd. issues 9% ₹ 100 debentures to be redeemed after 4 years at ₹ 110 per share. Calculate the cost of debentures. (CO3)

(c) A company has the following information :

It issued 10,000 equity shares of ₹ 100 each, the market value of the share is ₹ 102. The company pays a dividend of ₹ 2 which are expected to grow at 10% per year for next 2 years and then at 6% perpetually.

It also issues 5000, 8% debentures of ₹ 100 to be redeemed after 3 years at ₹ 105.

It has a bank loan of ₹ 5,00,000 the cost of which is 9%.

Calculate WACC of the company. (CO3)

4. (a) Discuss the two main kinds of 'stock dividends' along with their merits and demerits. (CO4)

(b) If :

Cost of capital is 12%

Internal rate of return is 14%