


Name:	
Enrolment No:	

UNIVERSITY OF PETROLEUM AND ENERGY STUDIES
Online End Semester Examination, Dec 2020

Course: Law on Corporate Finance

Course Code: CLBN4002

Programme: B.B.A.LL.B (BFI)

Time: 03 hrs.

Semester: VII

Max. Marks: 100

SECTION A

1. Each Question will carry 5 Marks

2. Instruction: Fill in the blanks

S. No.	Question	Marks	CO
1	a) Raj Ltd issued 1000 equity shares of Rs 10 each as fully paid-up shares. The present market price of equity shares is Rs 15 per share. The company pays a dividend of Rs 5 per share. The cost of equity share capital is _____ b) The Equity cost of capital change if Market price is Rs 25 per share _____	2.5+2.5 5	CO2
2	Mention the key aspects of format of Cash flow Statement as per the Accounting Standard 3 compliance. a) _____ b) _____ c) _____ and valuation of goodwill is through _____ and _____ method.	3+2	CO1
3	Name the various forms of Debentures which are used for sources of funding a) _____ b) _____ c) _____ d) _____ e) _____	5	CO1
4.	The company Raj Glass Ltd is a start-up firm manufacturing glasses of all types and is into B2B and B2C business. The company is trying to expand its manufacturing capacity and for which it needs funds. Suggest the various sources of funds to the firm which can be made available. a) _____ b) _____ c) _____ d) _____ e) _____	5	CO1

5	How long does it take Rs 10,000 to double at a compounding rate of 8% per year? Elucidate in light of rule of 72._____	5	CO1															
6	An IPO of a firm could have been formerly financed by _____ capital firm is carried out for primary purpose to _____ The stock exchange provides, IPO bell ringing ceremony on the day of _____. Minimum of _____year's profit making, dividend distributing company can come-up with an IPO. Risk of IPO is shared by _____ for which they charge a commission.	5	CO1															
	SECTION B 1. Each question will carry 10 marks 2. Instruction: Write short / brief notes																	
7	a) You start investing annually, Rs100,000 in year 2020 at the rate of 10% per annum. By the end of year 2025, how much amount would you receive if it is compounding annually. How much difference it will make if it was simple interest earned under the time value of money concept; show the workings for every year. b) Insurance and Banking Sector use the concept of time value of money. Illustrate with two examples each.	5+5	CO1															
8	Does negative working capital indicate financial crisis for the company. Justify the statement by explaining the concept in light of two different sectors. Also suggest methods to improve working capital.	5+5	CO3															
9	There are two situations for selection of Projects A & B, for a capital budgeting decision to be made:- <table border="1" data-bbox="203 1465 1291 1612"> <thead> <tr> <th>Project</th> <th>CF a Zero year</th> <th>CF1</th> <th>CF2</th> <th>CF3</th> </tr> </thead> <tbody> <tr> <td>A</td> <td>-100,000</td> <td>90,000</td> <td>9,000</td> <td>1,000</td> </tr> <tr> <td>B</td> <td>-100,000</td> <td>1,000</td> <td>9,000</td> <td>90,000</td> </tr> </tbody> </table> Which one is a better choice Project A or Project B explain it through the capital budgeting method of Pay Back period and NPV method.	Project	CF a Zero year	CF1	CF2	CF3	A	-100,000	90,000	9,000	1,000	B	-100,000	1,000	9,000	90,000	10	CO3
Project	CF a Zero year	CF1	CF2	CF3														
A	-100,000	90,000	9,000	1,000														
B	-100,000	1,000	9,000	90,000														
10	a) Write a note Venture capital funding. b) What is the difference between equity shares and preference shares?	5+5	CO2															
11	International sources of funding is dependant on the IFRS compliance and	10	CO3															

	regulations of SEC or another stock exchange. Explain ADR and GDR in reference to above statement.		
	<p>Section C</p> <p>1. Each Question carries 20 Marks.</p> <p>2. Instruction: Write long answer.</p>		
12.	<p>A company is Elloras Bakery Ltd is has been able to contact few investors for funding its new venture Elloras Restaurants Pvt Ltd. The new venture has been able to get two category of investors which are ready to provide the funds.</p> <p>Investors of A category are ready to provide funds through 1000 Irredeemable debentures of Rs 1000 face value; at the interest rate of 5% annually. For 1000 irredeemable debentures; the cost of issue is 2% face value and underwriting commission of 1%.</p> <p>Investors of B category will provide Irredeemable 5% Preference shares of face value Rs 100 each. The number of irredeemable preference shares to be issued is 100,000 and cost of issue includes underwriting commission of 2% and printing charges of 1%.</p> <p>Calculate the cost of capital in both cases of issue of Irredeemable debentures and Irredeemable Preference shares. Show detailed workings and justify which is cheaper cost of capital for company and is more economically viable.</p>	20	CO3