

JAIPURIA INSTITUTE OF MANAGEMENT, NOIDA

PGDM / PGDM (M) / PGDM (SM)

SECOND TRIMESTER (Batch 2022-24)

END-TERM EXAMINATIONS, JANUARY 2023

Set-2 (Reappear)

Course Name	Corporate Finance	Course Code	20202
Max. Time	2 hours	Max. Marks	40 MM
INSTRUCTIONS:			
<p>All questions are mandatory. In Excel sheets, you must use a formula to enter a value in a cell. You can't use the Fx function. Each student will answer on a different sheet of one Excel document and upload it with their name and roll number.</p>			

Q1. A firm is evaluating a cold storage system that will cost Rs.12 lakh and returns annual cash flows as per the given table.

Year	CF
1	475000
2	495000
3	535000
4	565000
5	585000

If the salvage at the end of useful life is nil, Analyse should the project be undertaken if the cost of capital is 15% ? Use NPV and IRR approaches. (CLO 2; BT Level IV;

Marks:10)

Q2. The following is the capital structure of Beta Ltd. As on 31 March 2021.

	(Rs. in million)
1. Equity Capital (Paid-up)	563.50
2. Reserve and Surplus	485.66
3. 10% Redeemable Preference Shares	84.18
4. 15% Term loans	377.71
Total	1,511.05

The share of the company is currently selling for Rs.36. The expected dividend next year is Rs.3.60 per share anticipated to be growing at 8% indefinitely. The redeemable preference shares were issued on 1st April 2015 with twelve years maturity period. The company had raised the term loan from a nationalized bank in 2005. A similar loan will cost today at 10%. Assume an average tax rate of 30%. Estimate the weighted average cost of capital for the company using book value weights. **(CLO 2; BT Level V; Marks:8)**

Q3. N Ltd just paid a dividend of Rs. 20% dividend. The face value of the stock is Rs.10. The dividend is expected to grow at 4.3% per annum indefinitely. If the investors required a return of 11% on the stock, what will be the current price? **(CLO 2; BT Level II, V; Marks:3X2=6)**

- a) Determine what will be its price in 3 years ?
- b) Explain what is the dividend yield ?
- c) Justify will you be able to compute share price if expected dividend growth is 12%

Q4. The following table represents the two years information about Rohit Sports ltd. From the following data, Analyse the operating and cash cycle of the Rohit Sports Ltd. for both the years and interpret the changes. (Assume 365 days in a year) **(CLO 3; BT Level IV, V; Marks:2X4=8)**

Particulars	2020	2021
Stocks:		
Raw materials	Rs 20,000	Rs 27,000
Work-in-process	14,000	18,000
Finished goods	21,000	24,000
Cost of goods sold	1,40,000	1,80,000
Sales	1,60,000	2,00,000
Debtors	32,000	50,000
Creditors	16,000	18,000

Q5. For higher study abroad and living expenses you will need Rs.10,00,000 per year for 4 years starting from the end of current year. That is you need to withdraw first Rs.10,00,000 one year from now, and so on. Your guardians want you to pursue the course. Your guardians plan to deposit in an instrument paying 8% interest per year (annually compounded) that is sufficient to provide 4 payments of Rs.10,00,000 each. The first deposit will be made today. **(CLO 3; BT Level V; Marks:2X4=8)**

a) Determine what will be the amount of deposit?

b) Determine what will be the balance in the account after the first withdrawal?