VI Semester B.Com. Examination, May 2016
(Fresh + Repeaters) (2014-15 and Onwards)
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** questions carries **2** marks. **(2×10=20)**

1. a) Mention any two advantages of Equity Shares.
   b) What is corporate financial policy ?
   c) What is profit maximisation ?
   d) What is ploughing back of profits ?
   e) What are financial goals ?
   f) What is conglomerate merger ?
   g) What is synergy ?
   h) What is corporate valuation ?
   i) What is horizontal merger ?
   j) Distinguish between equity shares and debentures.
   k) Name two methods of mergers.
   l) State the formula for P/E ratio.

SECTION – B

Answer **any four** of the following. **Each** question carries **8** marks. **(8×4=32)**

2. Define vision and mission statement. Distinguish between the two statement.
3. Discuss the types of mergers.
4. Explain in brief the factors influencing retained earning.
5. Explain the limitation of profit maximisation.

P.T.O.

6. Compute the level of EBIT at which the indifference point between the following financing alternative occur :
   a) Ordinary share capital of Rs. 10,00,000 or 15% debentures of Rs. 5,00,000 and ordinary shares capital of Rs. 5,00,000.
   b) Ordinary share capital of Rs. 10,00,000 or 13% preference shares capital of Rs. 5,00,000 and ordinary share capital of Rs. 5,00,000.

   Assume that the corporate tax rate 50% and the price of the ordinary share is Rs. 10 in each case.

SECTION – C

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

7. Explain the scope and contents of a financial policy.
8. Explain briefly the different methods of corporate valuation.
9. Explain the types of business environment.
10. Active Ltd. is taking over Bright Ltd. As per the understanding between the management of the two companies, shareholders of Bright Ltd. would receive 0.7 share of Active Ltd. for each share held by them. The relevant data for the two companies are as follows :

Particulars	**Active Ltd.**	**Bright Ltd.**
Net Sales (Rs. in lakhs)	40	15
Profit after tax (Rs. in lakhs)	8	2
Number of shares (lakhs)	1.6	0.5
Earning per share (EPS Rs.)	2.5	2
Market value per share (Rs.)	15	10
Price Earning Ratio (P.E.)	6	5

Ignoring the economies of scale and the operating synergy. You are required to calculate :

i) Premium paid by Active to the shareholders of Bright Ltd.

ii) No. of shares after the merger

iii) Combined EPS

iv) Combined P/E ratio

v) Market value per share and

vi) Total market capitalisation after the merger.