



# BRAINWARE UNIVERSITY

Term End Examination 2023-2024

Programme – LL.B.-2021

Course Name – Law on Corporate Finance

Course Code - LLB503A

( Semester V )

Full Marks : 60

Time : 2:30 Hours

[The figure in the margin indicates full marks. Candidates are required to give their answers in their own words as far as practicable.]

## Group-A

(Multiple Choice Type Question)

1 x 15=15

1. Choose the correct alternative from the following :

(i) Articulate, which of the following clearly define the Leasing services?

- |  |   |
|--|---|
| a) One party agrees to rent property owned by another party    | b) It guarantees the lessee, also known as the tenant, use of an asset. |
| c) It guarantees the lessor, regular payments from the lessee. | d) All of the above   |

(ii) Choose the type of lease that includes a third party, a lender.

- |                               |                       |
|-------------------------------|-----------------------|
| a) Leveraged Lease            | b) Sale and leaseback |
| c) Direct leasing arrangement | d) Operating lease    |

(iii) Choose the activity for which the Treasury Bills are issued by government.

- |              |              |
|--------------|--------------|
| a) Lending   | b) Borrowing |
| c) Investing | d) Saving    |

(iv) Which among the following is considered as a risk free rate? (Identify among the following)

- |              |   |
|--------------|---|
| a) Bank rate | b) Default risk free government security rate |
| c) Repo rate | d) Reverse repo rate                          |

(v) Which among the following best describes an Yield to maturity (YTM)? (Identify among the following)

- |  |   |
|--|---|
| a) Rate at which the discounted value of future cash flows of a bond is equal to the current market price. | b) Rate at which the discounted value of future cash flows of a bond is equal to the current issue price. |
| c) Rate at which the discounted value of future cash flows of a bond is equal to the issue                 | d) None of the above  |

price of an equivalent bond available in the market.

- (vi) Explain floor price.
- a) The maximum price at which bids can be made for an IPO.
  - b) The average price at which bids can be made for an IPO
  - c) The minimum price at which bids can be made for an IPO.
  - d) The median price at which bids can be made for an IPO.
- (vii) Explain cap price.
- a) The maximum price at which bids can be made for an IPO.
  - b) The average price at which bids can be made for an IPO.
  - c) The minimum price at which bids can be made for an IPO.
  - d) The median price at which bids can be made for an IPO.
- (viii) Cite the maximum difference in a price band.
- a) 0.1
  - b) 0.2
  - c) 0.3
  - d) 0.4
- (ix) Describe private placement
- a) It is a sale of stocks or bonds in open market.
  - b) It is a buying of shares from the open market.
  - c) It is a sale of stock shares or bonds to pre-selected investors and institutions rather than on the open market.
  - d) Issuing new shares to existing shareholders
- (x) Associate SEBI with its counterpart in USA
- a) SCE
  - b) SEBU
  - c) SEC
  - d) NASDAQ
- (xi) Select from the understated alternatives, exact period of refunding application money when minimum subscription is not received
- a) 20
  - b) 25
  - c) 30
  - d) 10
- (xii) State Maximum no. of members in case of public company
- a) 0
  - b) Unlimited
  - c) 100
  - d) None of the above
- (xiii) State the basis of dividing equity shares under section 43(a) of Company's act 2013
- a) Different nominal value
  - b) Different voting rights
  - c) Different dividend
  - d) All of these
- (xiv) State conditions required in issuing bonus share
- a) Authorized in the article
  - b) Partly paid up share can exist
  - c) Regular interest payment in time is not essential
  - d) All of these
- (xv) Maximum period of paying dividend is \_\_\_\_\_. (Identify among the following)
- a) 5 days
  - b) 10 days
  - c) 15 days
  - d) 30 days

### Group-B

(Short Answer Type Questions)

3 x 5=15

2. Explain zero coupon bond with example. (3)
3. Explain three reasons those can be attributed to time preference for money. (3)
4. Write the type of debenture/bond that will exist till the continuity of business. (3)
5. A company has purchased net asset of another company at Rs.2000000 and issued debenture of 19 lakh. Calculate and state the type of profit it has made. (3)

6. Analyze SEBI activities to educate Investors (3)

**OR**

Explain in brief, SEBI's activities to ensure safe transactions by investors. (3)

**Group-C**

(Long Answer Type Questions)

5 x 6=30

7. Explain conditions required for issue of bonus share. (5)

8. XYZ company has inadequate profit. It proposes to declare dividend out of general reserve, (5)  
Information are- a. 17500 9% preference share of Rs.100 each. b. 700000 equity share of Rs.10 each. c. General reserve 2100000 d. Capital reserve Rs.350000. e. Securities premium Rs.350000 f. Surplus in profit and loss account Rs.63000 g. Net profit of the year Rs.357000 h. Average rate of dividend during last three years is 15%. i. Board wants to declare 10% dividend. Justify the proposal of declaring 10% dividend by board.

9. State the concept of levered and unlevered firm. Critically assess the value of levered firm over unlevered firm. (5)

10. Describe the net operating income approach of capital structure. (5)

11. Enumerate the assumptions of capital asset pricing model (CAPM). (5)

12. How does SEBI regulate mutual funds? Explain. (5)

**OR**

What does SEBI do to prevent insider trading? Explain. (5)

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