



BRAINWARE UNIVERSITY

Term End Examination 2023-2024

Programme – BBA LL.B.-2019

Course Name – Law on Corporate Finance

Course Code - BBALLB903A

(Semester IX)

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) 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
- (ii) State Maximum no. of members in case of public company
 - a) 0
 - b) Unlimited
 - c) 100
 - d) None of the above
- (iii) Agency cost consists of _____. (Identify among the following)
 - a) Binding
 - b) All the other three
 - c) Monitoring
 - d) Opportunity and structure cost
- (iv) Explain the type under which a direct lease, a sale and leaseback, and a Leveraged lease fall.
 - a) Operating lease
 - b) Financial lease
 - c) Full service lease
 - d) Off balance sheet methods of financing
- (v) How long does it take to double your money if it grows at 12% annually? (Identify among the following)
 - a) 5 years
 - b) 6 years
 - c) 7 years
 - d) 8 years
- (vi) Choose the one on which the floating interest rate depends on.
 - a) MIBOR
 - b) fixed exchange rate
 - c) CPI
 - d) WPI
- (vii) An organisation has issued console bond of Rs.1000 each. It is paying 8% coupon rate per annum. Other coupon bond of same risk category is paying 5% interest. Calculated Value

of this bond is:

- a) Rs. 1000
- b) Rs. 1600
- c) Rs. 2000
- d) Rs. 2600

(viii) Choose possessory security from the given options

- a) Pledge
- b) Mortgage
- c) Equitable charge
- d) None of these

(ix) Sketch the move by the bank, as per the provisions of SARFAESI Act, if the borrower fails to comply with the notice.

- a) Take possession of the security for the loan
- b) Sale or lease or assign the right over the security
- c) Manage the same or appoint any person to manage the same.
- d) All of the above

(x) define the term "financing".

- a) Advising an organization to raise charity funds
- b) Investing in the securities market
- c) Sourcing funds
- d) Converting the assets into cash

(xi) Compare the following statements and find the false one about Greenshoe option among the following statements.

- a) A greenshoe option is an over-allotment option in the context of an IPO
- b) Greenshoe options never provide price stability and liquidity
- c) A greenshoe option was first used by the Green Shoe Manufacturing Company (now part of Wolverine World Wide, Inc.)
- d) Greenshoe options typically allow underwriters to sell up to 15% more shares than the original issue amount

(xii) Associate SEBI with its counterpart in USA

- a) SCE
- b) SEBU
- c) SEC
- d) NASDAQ

(xiii) Explain the concept of 'Bought out deals.'

- a) A bought out deal is a method of offering securities to the public through a sponsor or underwriter (a bank, financial institution, or an individual)
- b) A bought out deal is a method by which the company buys back few shares from the market to boost the price.
- c) A bought out deal is a method where one of the major shareholders buy all the other shares.
- d) A bought out deal is a method by which the company buys back all the shares from the market to boost the price.

(xiv) Express the full form of IFRS

- a) International Fiduciary Reporting Standard
- b) International Forensic Reporting Standard
- c) International Financial Reporting Standard
- d) International Feasibility Reporting Standard

(xv) Identify properties relevant for a deep discount bond

- a) Interest rate is stated in the bond
- b) It has no maturity period
- c) Issued at a price below nominal value of bond
- d) All of these

Group-B

(Short Answer Type Questions)

3 x 5=15

- 2. Describe the role of CFO of a company. (3)
- 3. Describe capital recovery factor. (3)
- 4. Explain three reasons those can be attributed to time preference for money. (3)

5. A company has made profit by purchasing an existing business at profit. Explain where this profit is to be shown. (3)
6. On 1st April 2015, P Ltd. Issued 6,000 12% Debentures of ₹ 100 each at par redeemable at a premium of 7%. The Debentures were to be redeemed at the end of third year. Estimate Loss on issue of 12% Debentures and amount to be written off at the end of each year. (3)

OR

Z Ltd issued 20000 shares of Rs.10 each. Called up value per share is Rs.8. Company forfeited 300 shares of Mr A for non-payment of 1st call money of Rs.2 per share. He paid Rs.6 on application and allotment money. On forfeiture, justify the position of share capital account. (3)

Group-C

(Long Answer Type Questions)

5 x 6=30

7. Describe the concept of loan amortization. (5)
8. Explain RBI's role in controlling companies. (5)
9. What powers does RBI have in regulating banks and financial institutions in India? Explain. (5)
10. Define default cost and delinquency cost. (5)
11. Explain legal guidelines on utilization of free reserves when profit of the year is inadequate to declare final dividend. (5)
12. What does SEBI do to prevent insider trading? Explain. (5)

OR

What initiatives has SEBI taken to develop the securities market in India? Explain. (5)
