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Total Number of Pages : 02

MBA
18MBA201

2nd Semester Regular / Back Examination: 2022-23

SUBJECT : CORPORATE FINANCE

MBA, MBA (A & M), FM & HRM, LSCM, MBA (M & F), RM, BM, FM, GM, HRM, IB, MM, BA

Time : 3 Hour

Max Marks : 100

Q.Code : M378

Answer Question No.1 (Part-1) which is compulsory, any eight from Part-II and any two from Part-III.

The figures in the right hand margin indicate marks.

Part-I

Q1 Answer the following questions : (2 x 10)

- What risks a company might face by not employing debt component in the capital?
- What is time preference of money?
- What is risk-return trade off?
- What are payback and discounted payback period?
- Why is operating leverage important?
- What are the important variables in designing a credit policy?
- What do you mean by capital gearing?
- What does the dividend irrelevance theory want to prove?
- What is stock dividend? What conditions should a company fulfill to declare this?
- Why are market value weights not preferred in WACC computation?

Part-II

Q2 Only Focused-Short Answer Type Questions- (Answer Any Eight out of Twelve) (6 x 8)

- What are the different methods to compute cost of capital?
- What are the different sources of long term finance commonly used by firms in India?
- Evaluate wealth maximization and profit maximization as primary objectives of a firm.
- ABC Ltd issues Rs. 100000, 9% debentures at a premium of 10%. The cost of floatation is Rs. 2500. The tax rate applicable is 50%. Compute the cost of debt-capital.
- What are the different alternative methods of evaluating investment proposals? Write in brief.
- What factors influence the determination of the capital structure of a company?
- Yes Company is considering an investment in a project requiring a capital outlay of Rs. 200000. Forecast of annual income of from the project after depreciation but before tax are as follows:

Year	1	2	3	4	5
Income	1,00,000	1,00,000	80,000	80,000	50,000

The company charges a depreciation rate of 20% flat and tax rate for the company is 40%. You are required to ascertain:

- Payback period
- NPV using 15% cost of capital
- The PVF at 15% are: 0.870, 0.756, 0.658, 0.572, and 0.497

- h) The following information is available in respect of a firm:
 Earning per share ; Rs. 20
 Rate of capitalization : 10%
 Calculate the market value of the company's quoted shares under Walter's Model if the dividend payout ratio is 0%, 50% and 100%, if it can earn a return of
- 15%
 - 10%, and
 - 5%
- i) Explain the importance of having adequate working capital.
- j) Discuss any two models for efficient cash management.
- k) From the following information, compute the working capital requirement for a company
- Annual sales 2,00,000 units
 - Selling price Rs. 8 per unit
 - Percentage net profit on sales 25%
 - Average credit period allowed to customer : 8 weeks
 - Average credit period allowed by suppliers :4 weeks
 - Average stock holding in terms of sales requirement: 12 weeks
 - Allow 10% for contingencies.
- l) What is the significance of capital budgeting? State its limitations.

Part-III

Only Long Answer Type Questions (Answer Any Two out of Four)

- Q3 Explain acceptability criteria under various techniques of capital investment proposals. (16)
- Q4 A company which has operating profit of Rs. 4,80,000 has a capital structure consisting of the following securities: (16)
 10% Debentures Rs. 15,00,000
 12% Preference shares Rs. 3,00,000
 Equity Shares of Rs. 100 each Rs. 12,00,000
 The company is in the 55% tax bracket
- Determine the EPS
 - Determine the percentage change in EPS, associated with 30% increase and 30% decrease in EBIT
 - Determine the degree of financial leverage
- Q5 Explain in detail the financing decisions generally taken by Finance Manager of a manufacturing company. (16)
- Q6 Discuss different methods of inventory control. Why shall a company be very much concerned for inventory control? (16)