Roll No.

Total No. of Pages : 03

Total No. of Questions : 17

MBA (Sem.-2)

CORPORATE FINANCE AND POLICY

Subject Code : MBA-206-21

M.Code : 92177

Date of Examination : 18-07-22

Time : 3 Hrs. Max. Marks : 60

INSTRUCTIONS TO CANDIDATES :

1. SECTION-A contains EIGHT questions carrying TWO marks each and students has to attempt ALL questions.
2. SECTION-B consists of FOUR Subsections : Units-I, II, III & IV. Each Subsection contains TWO questions each carrying EIGHT marks each and student has to attempt any ONE question from each Subsection.
3. SECTION-C is COMPULSORY and consist of ONE Case Study carrying TWELVE marks.
4. Student may be allowed to use non-scientific calculator.

SECTION-A

Write short notes on the following :

1. Functions of Financial Management
2. Annuity
3. Weighted Average Cost of Capital
4. ROI
5. Trading on Equity
6. Accounting Rate of Return
7. Permanent Working Capital
8. Stock Dividend.

SECTION-B

UNIT-I

9. What is corporate finance? Discuss in detail the interface of financial management with other functional areas of management.

10. What is capital market? Discuss in detail how capital market facilitates mobilizing long-term funds for a company.

UNIT-II

11. Write a detailed note on MM Hypothesis I and II. Discuss in detail the principle of arbitrage between debt and equity for explaining MM Hypothesis I and II.

12. What is specific and marginal cost of capital? Discuss in detail the role and importance of cost of capital of a firm in various financial decisions of a company.

UNIT-III

13. What is combined leverage? Write a detailed note on the impact of financial leverage on the risk profile of a firm. Give suitable examples to support your answer.

14. ABC Co. Ltd. is evaluating the financial feasibility of following machine and has sought your opinion whether this machine should be installed if the cost of capital of the firm is 10%

Machine	Initial Investment	Cash Flow (Amount in Rs.)				
		Year 1	Year 2	Year 3	Year 4	Year 5
X	5,00,000	2,00,000	1,30,000	1,50,000	1,90,000	-20,000

UNIT-IV

15. What do you mean by working capital? Discuss in detail various factors determining working capital of a company in India.

16. Write a detailed note on various forms of dividend policies followed by companies in India. Also, briefly discuss Walter's model for determining dividend policy of a company.

SECTION-C

17. Case Study :

Based on the following information, prepare a cash budget for ABC Ltd. :

	1st Quarter (Rs.)	2nd Quarter (Rs.)	3rd Quarter (Rs.)	4th Quarter (Rs.)
Opening ash balance	10,000	—	—	—
Collection from Customers	1,25,000	1,50,000	1,60,000	2,21,000
Purchase of Material	20,000	35,000	35,000	17,000
Other Expenses	25,000	20,000	20,000	17.000
Salary and Wages	90,000	95,000	95,000	1.09.200
Income Tax	5,000	----	----	----
Purchase of Machinery	—	---	—	20.000

The company desires to maintain a cash balance of Rs. 15,000 at the end of each quarter. Cash can be borrowed or repaid in multiples of Rs. 500 at an interest of 10% p.a. Management does not want to borrow cash more than what is necessary and wants to repay as early as possible. In any event, loans cannot be extended beyond four quarters. Interest is computed and paid when the principal is repaid Assume that borrowings take place at the beginning and repayments are made at the end of the quarters.

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otal No. of Questions : 10

Total No. of Pages : 02

MBA (Sem.–2)

CORPORATE FINANCE AND POLICY

Subject Code : MBA 206-21

M.Code : 92177

Date of Examination: 16-12-2023

ime : 3 Hrs. **Max. Marks : 60**

NSTRUCTIONS TO CANDIDATES :

1. SECTION-A Contains EIGHT questions carrying TWO marks each and students has to attempt all questions.
2. SECTIONS-B consists of Four Subsections : Units – I, II, III & IV. Each Subsection contains TWO questions carrying EIGHT Marks and student has to attempt any ONE Question from each subsection.
3. SECTION-C is consists of ONE Case Study carrying TWELVE marks.

SECTION-A

1. **Write Briefly :**

   a) Define Time Value of Money.

   b) What are the functions of corporate finance?

   c) Explain Bond as a source of finance.

   d) What is EBIT/EPS analysis?

   e) Define Business Risk.

   f) What is Internal Rate of Return?

   g) Define Stock Dividend.

   h) Aggressive approach to Working Capital.

SECTION-B

UNIT-I

2. Define the meaning and scope of corporate finance. Discuss the interface of financial management with other functional areas of management.

3. Explain different sources of long-term and short-term finance available to an organisation.

UNIT-II

4. What is the relevance of cost of capital in corporate investment and financing decision? How is weighted average cost of capital determined?

5. Write notes on

   a) Arbitrage process

   b) Net Income and Net Operating Income Approaches.

UNIT-III

6. What is leverage? Explain different types of leverages and its significance for any firm.

7. Define capital budgeting decision. Distinguish between Internal rate of return and Accounting rate of return with appropriate examples.

UNIT-IV

8. State the reasons that make working capital management as an important function of the financial manager. What are different sources of financing working capital?

9. Explain the different theories of Dividend relevance and irrelevance.

SECTION-C

10. ABC. Ltd has to make a choice between two projects namely A and B. The initial capital outlays of two projects are Rs. 1,35,000 and Rs. 2,40,000 respectively for A and B. There will be no scrap value at the end of the life of both the projects. The opportunity cost of capital of the company is 16%. The annual incomes are as under:

Project A	Years-1: Nil	Year 2: 30,000	Year 3 : 1,32,000	Year 4: 84,000	Year 5: 84,000
Project B	Years 1 : 60,000	Year 2: 84,000	Year 3: 96,000	Year 4: 1,02,000	Year 5 : 90,000

a) As a Finance Manager which Project will you recommend based on Discounted Payback period. Show the computation.

b) Will the decision change with NPV criteria or remain same? Calculate NPV and comment.

c) Which project will be selected based on Profitability Index method and why?

Present Value of Re.1 at 16 percent

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
0.862	0.743	0.641	0.552	0.476	0.410	0.354

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Total No. of Questions : 10

MBA (Sem–2)

CORPORATE FINANCE AND POLICY

Subject Code : MBA206/21

M.Code : 92177

Date of Examination : 11-05-2024

Time : 3 Hrs. **Max. Marks : 60**

INSTRUCTIONS TO CANDIDATES :

1. **SECTION-A contains EIGHT questions carrying TWO marks each and students has to attempt ALL questions.**
2. **SECTION-B consists of FOUR Subsections : Units-I, II, III & IV. Each Subsection contains TWO questions each carrying EIGHT marks each and student has to attempt any ONE question from each Subsection.**
3. **SECTION-C is COMPULSORY and consist of ONE Case Study carrying TWELVE marks.**

SECTION-A

1. **Answer briefly :**

a. What is EPS?

b. What is Capital Rationing?

c. What is Leverage?

d. What is Risk Analysis?

e. What is Business Risk?

f. Define Cost of Equity

g. What is Payback period?

h. What is Float?

SECTION-B

UNIT-I

2. Why financial management knowledge is important for a growing business in today's world.

3. Write notes on the following

a) Concept of Valuation

b) Corporate Finance

UNIT-II

4. Explain the determinants of a capital structure.

5. Discuss EBIT/EPS Analysis in detail.

UNIT-III

6. Discuss the concept of trading on equity.

7. What is Capital Budgeting? Discuss major techniques of analysis.

UNIT-IV

8. Discuss the dividend decision in detail.

9. Discuss major factors affecting the working capital of a business firm in detail.

SECTION-C

10. **Read the following case study in detail and answer the questions :**

Two types of error can arise when evaluating a credit decision. The Type I error is advancing credit to a lesser-quality credit (that is, a 'bad credit' that has mistakenly been classified as a 'good credit') and thereby incurring an unanticipated loss. The type II error arises from misclassifying a good credit as a bad credit and thereby forgoing an opportunity to earn profit. The different risks can be portrayed in terms of the actual credit quality (here simply called 'good' or 'bad' credit) versus the analysed credit quality. In practice, the credit analyst will devote more time to avoiding type I errors; that is, to assessing bad credits as good ones. The financial consequences of accepting bad risks that have mistakenly been classifies as good ones are greater than if some good risks are mistakenly rejected. This is because the costs of extending credit in a situation where there is a credit event are far greater than the opportunity for profit forgone by refusing credit to the good risk. This is due to the uncertainties in loss recovery rates and the opportunity costs involved. That said, a credit evaluation model that habitually rejects high-quality good credits as bad means excessive opportunity losses from forgone business. Hence the probability of default of a particular kind of credit needs to be carefully factored into any analytic framework. If the analyst can correctly identify the credit quality of the counterparty, then steps may be taken to protect the lender. For instance, in the case of a financial institution that holds a loan, asset or instrument, or credit position with the counterparty, this may be closed out, insurance purchased, or the loan sold off to another (less perceptive) institution. For a supplier extending trade credit, a (high-risk) customer can be required to pay cash or provide suitable collateral to offset the credit risk.

Questions:

a. Summarize the whole case from the perspective of risk management in your own words.

b. Why Credit can be Good or bad? Discuss.

c. As per the case, why the role of the credit analyst is difficult?

d. Discuss Type I and II errors.

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Roll No.

Total No. of Questions : 10

Total No. of Pages : 03

MBA/MBA(IB) (Sem–2)

CORPORATE FINANCE AND POLICY

Subject Code : MBA 206-21

M.Code : 92177

Date of Examination : 03-01-2025

Time : 3 Hrs.

Max. Marks : 60

INSTRUCTIONS TO CANDIDATES :

1. **SECTION-A contains EIGHT questions carrying TWO marks each and students has to attempt ALL questions.**
2. **SECTION-B consists of FOUR Subsections : Units-I, II, III & IV. Each Subsection contains TWO questions each carrying EIGHT marks each and student has to attempt any ONE question from each Subsection.**
3. **SECTION-C is COMPULSORY and consists of ONE Case Study carrying TWELVE marks.**

SECTION-A

1. **Write briefly :**

    a. Define Corporate Finance.

    b. What are Hybrid Securities?

    c. What is Weighted Average Cost of Capital?

    d. Define Agency Costs.

    e. Concept of Trading on Equity.

    f. Explain Benefit Cost Ratio.

    g. What is Working Capital?

    h. What do you mean by Dividend Decision?

SECTION-B

UNIT-I

2. What are different functions of financial management? Discuss the changing role of finance manager in modern business.

3. Explain the concept of valuation of securities. What are the methods for valuation of equity?

UNIT-II

4. Discuss the importance of cost of capital in various financial decisions of a company. How is cost equity capital computed?

5. What is optimal capital structure? Explain the MM hypothesis and the arbitrage mechanism to support MM hypothesis of capital structure.

UNIT-III

6. What is meant by 'financial risk'? Elucidate the relationship between leverage and the cost of capital?

7. What is significance of capital budgeting decision for a firm? Compare and contrast the NPV and IRR methods of investment evaluation with examples.

UNIT-IV

8. What is working capital management all about? Explain the determinants of working capital.

9. What is the significance of dividend decision for a finance manager? Explain different forms of Dividend.

SECTION-C

10. **Case Study :**

    Precision Instruments is considering two mutually exclusive Project X and Y. As a Finance Manager you are required to select one of the two projects for investment. The following details are made available to you.

Project X - Project Cost - 700 lakhs,

Cash inflows (in Rs. lakhs): Year 1-100, Year 2- 200, Year 3 -300, Year 4- 450, Year 5 -600

Project Y- Project Cost 700 lakhs,

Cash inflows (in Rs. lakhs): Year 1 - 500, Year 2- 400, Year 3 -200, Year 4-100, Year 5 - 100

Also, there are no residual values at the end of the fifth year. The firm's cost of capital is 10%, in respect of each of the two projects:

a. As a Finance manager which project will you select if NPV method is employed? Show the calculation.

b. What will be the decision of selection of projects based Discounted Payback period? Show the calculation.

c. Is the decision of project selection based on the above two methods same and contradictory? Which method out of the two should be preferred by Finance Manager and why?

Present Value of Rs. I at 10 percent

Years-1	2	3	4	5	6
.909	.826	.751	.683	.621	0.564

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Roll No. Total No. of Pages : 03

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MBA / MBA (Fintech) (Sem–2)

CORPORATE FINANCE AND POLICY

Subject Code : MBA206-21

M.Code : 92177

Date of Examination : 10-06-2025

Time : 3 Hrs. Max. Marks : 60

INSTRUCTIONS TO CANDIDATES :

1. SECTION-A contains EIGHT questions carrying TWO marks each and students has to attempt ALL questions.
2. SECTION-B consists of FOUR Subsections : Units-I, II, III & IV. Each Subsection contains TWO questions each carrying EIGHT marks each and student has to attempt any ONE question from each Subsection.
3. SECTION-C is COMPULSORY and consist of ONE Case Study carrying TWELVE marks.

SECTION - A

1. Write briefly :

a) Short-term Sources of Finance

b) Hybrid Securities

c) Debt-Equity Mix

d) Yield-to-Maturity

e) Operating Leverage

f) Payback Period

g) Bonus Shares

h) Temporary Working Capital.

SECTION - B

UNIT - I

2. What is corporate finance? Discuss in detail the objectives of corporate finance. Also briefly explain how wealth maximization is superior to profit maximization objective.

3. How much you must deposit today in order to make five equal annual withdrawals of Rs. 60,000 every year?

UNIT - II

4. What do you mean by cost of debt? Discuss various methods for computing cost of debt. Discuss in detail why the debt is considered to be a cheaper source of finance than equity.

5. What do you mean by capital structure? Compare and contrast the Net Operating Income, Net Income and Traditional approaches of relevance / irrelevance of capital structure.

UNIT - III

6. ***'Economic, operational, business and financial risk are major determinants of combined leverage of a company'.*** Elucidate with suitable examples.

7. ***'Expected cash flows are a better proxy of profitability of a capital budgeting project than accounting profit'.*** Critically examine the statement. Also, briefly differentiate between Internal Rate of Return and Accounting Rate of Return Methods for evaluating capital budgeting decisions.

UNIT - IV

8. ***'Dividend is distribution of free profits but dividend policy is affected by the stage of life cycle of the company'.*** Explain. Also, briefly discuss the various types of dividend policy.

9. What do you mean by working capital? Discuss various factors affecting working capital.

SECTION - C

10. **Case Study :**

ABC Textiles Ltd. is a medium-sized textile manufacturing company specializing in cotton and polyester fabrics. Due to increasing demand, the company is considering investing in a new weaving machine to expand production capacity. However, management must evaluate whether the investment is financially viable before proceeding. The proposed investment involves purchasing a new weaving machine and additional infrastructure improvements. The relevant details are as follows :

a) Initial Investment (Capital Expenditure) – Rs. 15,00,000.

b) Expected Useful Life - 5 years.

c) Salvage Value (End of Year 5) – Rs. 1,00,000.

d) Additional Working Capital Required – Rs. 2,00,000 (to be recovered at the end of Year 5).

e) Annual Revenue Increase – Rs. 9,00,000.

f) Annual Operating Costs (including maintenance and labor) – Rs. 4,00,000.

g) Depreciation Method - Straight-line over 5 years.

h) Corporate Tax Rate - 30%.

i) Cost of Capital (Discount Rate) - 10%.

Using Net Present Value and Profitability Index Methods, you are required to suggest whether the project is financially viable?

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