MB109

Sl. No.

II Semester M.B.A. Degree Examination, May/June - 2026

MANAGEMENT

Corporate Finance

(Non-CBCS Scheme)

Time : 3 Hours **Maximum Marks : 80**

SECTION - A

Answer any Five sub-questions. Each sub-question carries 3 marks. (5×3=15)

1. a) What is Time Value of Money?
b) What do you mean by primary market?
c) Define Capital Budgeting.
d) Mention different types of Leverages.
e) Distinguish between Gross working capital and Net working capital.
f) Mr. Sona will recive Rs. 6,00,000 After 1 year, Rs. 3,00,000 in years, Rs. 2,00,000 in year 3 and Rs. 10,00,000 in year 4-what would be his present value at 6% rate of return.
g) What is WACC?

SECTION - B

Answer any Four questions. Each question carries 5 marks. (4×5=20)

2. Find the degree of combined leverage if DOL is 1.3/1 and DFL is 1.17/1. If lower payment of interest raises the DFL to 1.25, what would be the DCL?

3. Explain how corporate financial disstress is predicted.

4. Explain the factors affecting the working capital management.

5. A machinery cost Rs. 1,00,000. The following are the cash inflows, calculate pay back period.

Year	CFAT
1	15,000
2	20,000
3	25,000
4	30,000
5	55,000

6. Discuss Walter's theory of dividend.

7. Debt is cheaper than equity. Comment.

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SECTION - C

Answer any Three questions. Each question carries 10 marks. **(3×10=30)**

8. Explain in brief the factors governing capital structure decision.

9. A company has on its books the following amounts and specific cost of capital.

Source of fund	**Book value (Rs.)**	**Specific cost (%)**
Debt	4,00,000	5
Preference share	1,00,000	8
Equity	6,00,000	15
Retained Earnings	2,00,000	13
	13,00,000	

Based on the book value calculate the weighted average cost of capital.

10. "Wealth maximisation objective is superior to project maximization objective for an organisation". Explain.

11. A proposal cost Rs. 3,20,000 and generates cash inflows of Rs. 80,000, Rs. 1,20,000, Rs. 1,00,000 and Rs. 80,000. There is no salvage value find IRR.

12. Write notes on:

a) Financial distress.
b) Card cycle.
c) Value of firm.
d) Financial Leverage.
e) Difference between debt and equity.

SECTION - D
(Compulsory)

Case Study. **(1×15=15)**

13. A Company is considering an investment proposal to install a new mechine at a cost of Rs. 50,000. The facility has a life expectancy of 5 years without savage value. The firm uses SLM of depreciation and the same is issued for tax purposes. The tax rate is 35%. The estimated cashflow before depreciation and tax (CFBT) from the investment proposal are as follows:

Year	1	2	3	4	5
CFBT Rs.	10,000	10,692	12,769	13,462	20,385

Calculate:

a) Payback period.
b) ARR.
c) NPV @ 10% discount rate.
d) Profitability Index at 10% discount rate.

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