MB-109

Sl.No. : **Total No. of Pages : 3**

II Semester M.B.A Degree Examination, May - 2025
(SLM Scheme) (NON-CBCS)
MANAGEMENT
Corporate Finance

Time : 3 Hours **Max. Marks : 80**

SECTION - A

Answer any five sub-questions. Each question carries three marks.

[5 × 3 = 15]

Q1) a) Define present value and future value with suitable examples.

b) Mention the features of primary market.

c) What are the objectives of capital budgeting?

d) Distinguish between debt and Equity.

e) The National Savings Fund promises a monthly 0.75% return if you deposit Rs. 1,000 per month for 15 consecutive years. What amount will be accumulated after those 15 years?

f) What do you mean by working capital?

g) Define NPV. What are its merits?

SECTION - B

Answer any four questions. Each question carries 5 marks. **[4 × 5 = 20]**

Q2) Explain in detail the concept of agency problem.

Q3) A project with initial cash outlay of ₹ 80,000 and annual inflows are as follows. Calculate the payback period

Year	Annual Cash Inflows (₹)
1	24,000
2	32,000
3	20,000
4	16,000
5	16,000

Q4) Explain the external factors affecting dividend policy.

Q5) Briefly explain the importance of capital structure.

Q6) Why is wealth maximization objective superior to profit maximization objective? Explain.

Q7) State the functions of a finance manager in a company.

SECTION - C

Answer any three question. Each question carries ten marks. [3 × 10 = 30]

Q8) Alfa Ltd. has arranged capital from the following sources. Calculate Weighted Average Cost of Capital (WACC)

Particulars	Book Value (in ₹)	After Tax Cost of Capital
Debenture	4,00,000	5%
Preference Shares	1,00,000	8%
Equity Shares	6,00,000	13%
Retained Earnings	2,00,000	9%

Q9) Describe the factors influencing working capital requirements of an organization.

Q10) A project with a 4 year life generates cash flows as follows. The discount rate is 15%, calculate NPV and comment on the result.

Year	Cash Flows
0	(₹ 2,25,000)
1	₹ 148,000
2	₹ 67,000
3	₹ 95,000
4	₹ 1,10,000

Q11) Explain in detail the factors governing capital structure decision.

Q12) What is the WACC? Examine the rationale behind the use of WACC.

SECTION - D

Case (Compulsory). **[1 × 15 = 15]**

Q13) An investment having initial cash outflow of ₹ 2,80,000. The cash inflows are as follows.

Year	Cash Flows
1	₹ 72,000
2	₹ 97,000
3	₹ 1,05,000
4	₹ 1,10,000

Calculate :

a) NPV at 10% discount rate

b) IRR