MBHC-2.2

Sl. No.

II Semester M.B.A. Degree Examination, December - 2023

MANAGEMENT

Corporate Finance

(CBCS Scheme)

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

SECTION - A

Answer any **FIVE** questions. Each question carries **FIVE** marks. **(5×5=25)**

1. Define primary market. What are the features of primary market?

2. How wealth maximization goal is superior to profit maximization?

3. Mention the acceptance and rejection criteria of all the capital budgeting techniques.

4. Briefly explain different types of leverages.

5. What is time value of money? What is its relevance in financial decision making?

6. Briefly explain the challenges of modern financial manager.

7. Explain different forms of dividend.

SECTION - B

Answer any **FOUR** questions. Each question carries **TEN** marks. **(4×10=40)**

8. Define dividend policy. Why do investors want dividends? Explain the different types of dividends.

9. Critically evaluate the MM approach to Capital Structure.

10. Explain the determinants of working capital.

11. Calculate weighted average cost of capital from the following:

Source of capital Book	Value of capital(Rs.)	Specific cost %
Equity shares	15,00,000	11
Preference shares	8,00,000	13
Bank loan	3,00,000	10

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12. Given the following information about Sunrise Industries Ltd. Show the effect of the dividend policy on the market price per share, using Walter's model.

EPS=Rs.8, Cost of capital (K)=12%

Assumed rate of return

a) 15%

b) 10%

c) 12%

13. The following are cash flows of XYZ Ltd.

Year	Cash flows (Real)
0	-40,000
1	12,000
2	12,000
3	18,000
4	20,000

Calculate the NPV at 10% discount rate and Payback period.

SECTION - C

14. Case (Compulsory) **(1×15=15)**

A company considering two mutually exclusive projects both require an initial investment of Rs.1,00,000 each and have a life of five years. The cost of capital of the company is 10% and tax rate is 50%. The depreciation is charge on straight line methods. The estimated net cash inflows (before depreciation and tax) of the two projects are as follows:

Year	Project -A	Project - B
1	40,000	60,000
2	44,000	54,000
3	56,000	44,000
4	50,000	50,000
5	60,000	40,000

Which project should be accepted as per NPV and IRR methods?
