MBHC-2.2

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

II Semester M.B.A. Degree Examination, May/June - 2023
(CBCS, SLM Scheme)
MANAGEMENT
Corporate Finance

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

SECTION - A

Answer any five sub-questions. Each question carries five marks. **[5×5=25]**

Q1) Briefly explain the relevance of agency theory.

Q2) Distinguish between primary market and secondary market.

Q3) Briefly explain different capital budgeting techniques with their acceptance and rejection criteria.

Q4) "Leverage is double-edged sword" comment.

Q5) Why wealth maximization is widely accepted goal of financial Management?

Q6) What is time value of money? Why it is necessary to consider time value of money in capital budgeting.

Q7) What are the challenges of financial manager in the global scenario?

SECTION - B

Answer any four sub-questions. Each question carries Ten marks. **[4×10=40]**

Q8) Explain traditional trade off theory of capital structure.

Q9) What is leverage? Explain different types of leverages.

Q10) Mention different forms of dividends. Briefly explain determinants of dividend payout.

Q11) Given the following information about Raj 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%

Q12) From the following capital structure of a company calculate the overall cost of capital using

i) Book value weights and

ii) Market value Weights

Source	BookValue	Market Value
Equity Share capital (₹ 20/share)	₹1,80,000	₹3,60,000
Retained Earnings	60,000	Nil
Preference Share Capital	40,000	40,000
Debentures	1,20,000	1,20,000

After cost of different source of finance is as follows: Equity share capital 14%, retained earnings 14%, preference share capital 10% and debentures 5%.

Q13) ABC Ltd. Company is considering the purchase of Machine. Two machine C and B, each costing ₹ 1,00,000, are available. Earnings after taxes are expected be as under.

Year	Machine C ₹	Machine B ₹	Discount factor at 10%
1	30,000	10,000	0.9091
2	40,000	30,000	0.8264
3	50,000	40,000	0.7513
4	30,000	60,000	0.6830
5	20,000	40,000	0.6209

Evaluate the two alternatives according to NPV method (a discount of 10% is to be used). Which machine should be selected? Why?

SECTION - C

Q14) Case (Compulsory) : **[1×15=15]**

MNC Ltd. has two project proposals. They requested you to advise on which project they are supposed to select. The details of the projects are as follows.

The initial investement required for both projects is ₹5,00,000.

Cash inflows (CFATBD) of both the projects are as follows.

Year	Project A ₹	Project B ₹
1	2,50,000	1,50,000
2	1,00,000	1,00,000
3	1,50,000	2,00,000
4	1,50,000	1,50,000
5	1,00,000	1,00,000
6	1,00,000	2,00,000

Based on the (1) Payback period method (2) NPV method and (3) IRR method, you are required to advise MNC if the cost of capital of the firm is 12%.

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