MBHC-2.2

Sl. No.

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

MANAGEMENT

Corporate Finance

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

SECTION - A

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

1. What is shareholders wealth maximization? Why is it superior to profit maximization?
2. Write a note on agency theory.
3. What are the features of primary market?
4. State the factors which determine the dividend policy of a firm.
5. The risk free rate of return is 9 percent; the firm's beta is 2.50 and the return on the market portfolio is 15.5 percent. What is the cost of equity capital? What is the cost of equity capital if beta is 1.20?
6. What are the acceptance and rejection criteria of Payback period, NPV and IRR methods of capital budgeting.
7. Differentiate between NI approach and NOI approach.

SECTION - B

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

8. Briefly explain different type of dividends.
9. Explain the various steps in capital budgeting process.
10. Critically analyse Modigliani and Miller theory of capital structure.
11. Calculate operating leverage, financial leverage and combined leverage from the following data.

Particulars	Amount (Rs.)
Sales 4,00,000 units at Rs.2 per unit	8,00,000
Variable cost per unit at Rs. 0.70 per unit	2,80,000
Fixed costs	2,00,000
Interest charges on Debt Capital	7,336

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12. ABC Co. ltd following date relate to a company:

a) Earnings per share (E.P.S) Rs.12

b) Rate of return on investment (r) 12%

c) Rate of capitalization/Cost of capital 9%

From the above information, compute the value of company's shares using Gordon's Model under each of the following retention ratios:

i) 45%,

ii) 65% &

iii) 80%

13. The following is the capital structure of XYZ Ltd.

Source	Amount	Specific cost of capital
Equity share capital (2,00,000 shares of 10 each)	Rs.20,00,000	12%
Preference share capital (50,000 shares of Rs.10 each)	Rs.5,00,000	8%
Retained earnings	Rs.11,00,000	11%
9% Debentures of Rs.1,000 each	Rs.1,00,000	4.5%

Presently, the Debentures are being traded at 94%, preference shares at par and the Equity shares at Rs.13 per share. Find out the WACC based on book value weights and market value weights.

SECTION - C

14. Case (Compulsory). **(1×15=15)**

Amarnath Ltd has to select a machine, which costs Rs.18,00,000. The machine generates each flows given below

Year	Cash flows (Rs)
1	9,00,000
2	3,50,000
3	6,50,000
4	3,50,000
5	4,50,000

The company can arrange necessary funds @ 8%. Compute the payback period. NPV and PI. Comment the result.
