MBHC-2.2

Sl.No. :

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Second Semester M.B.A. Degree Examination, November - 2024
(SLM Scheme) (CBCS)
MANAGEMENT
Corporate Finance

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

SECTION - A

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

Q1) What are the important functions of capital market?

Q2) A company issues 10% irredeemable preference shares. The face value per share is ₹ 100, but the issue price is ₹ 96. What is the cost of a preference share? What is the cost of preference shares if the preference share issued at ₹ 110?

Q3) What are the common biases in cash flow estimation? How do you address them in appraising a project?

Q4) Why do NPV and IRR give conflicting results? How should it be overcome?

Q5) Why does agency conflict arise? How do mitigate it?

Q6) What are the assumptions of Walters's dividend model?

Q7) What is time value of money? Why it is necessary to consider time value of money in capital budgeting.

SECTION - B

Answer any four questions. Each question carries ten marks. [4 × 10 = 40]

Q8) What is capital structure? Explain the determinants of capital structure.

Q9) Define capital budgeting decision. Explain briefly the factors affecting capital budgeting.

Q10) Calculate operating and financial leverage from the following information.

Particulars	**Amount (in ₹)**
Interest	25,000
Sales	1,60,000
Sales	1,000 Units
Variable cost	1,00,000
Fixed cost	15,000

Q11) From the following particulars, calculate the market price per share using Walter's model.

Earnings per share	₹ 5
Dividend per share	₹ 3
Return on investment	15%
Cost of capital	10%

What is the market price per share if EPS changes to ₹ 8

Q12) An MNC has a project Proposal cost ₹ 6,20,000 & generates cash inflows of ₹ 1,80,000, ₹ 3,40,000, ₹ 3,00,000 & ₹ 2,80,000. Find the IRR of the project.

Q13) From the following capital structure of a company calculate WACC.

Source	**Bookvalue (₹)**
Equity share (₹ 10 per Share)	1,25,000
Retained Earnings	35,000
Preference Share Capital	60,000
Debenture	60,000

The after tax cost of different source of finance is as follows Ke 12%, Kre l4%, Kp11%, Kd 6%.

SECTION - C

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

The estimated cost of machine is ₹ 1,30,000 which has total life of 5 years and there will be no salvage value at the end of its life.

The cash flows before depreciation and tax (CFBDT) are as follows :

Year	CFBDT (₹)
1	65,000
2	60,000
3	50,000
4	45,000
5	40,000

Calculate :

i) Payback period

ii) ARR

iii) NPV at 10% discount rate

Assume the tax rate is 15%

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