MBSC-3.2A

Sl. No.

III Semester M.B.A. Degree Examination, May/June - 2026
MANAGEMENT
Elective - A : FINANCE
Advance 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. Consider the following cash flows of project of XYZ Company. Assume that discount rate is 8%.

Cash inflows are as follows

Year	Project A (Rs. in Million)
0	-4
1	3
2	2
3	5

Calculate MIRR for the project.

2. Why can asymmetric information between buyers and sellers lead to a market failure?

3. Why should we be concerned about with risk in capital budgeting?

4. Compare the NPV and IRR methods, when do the results of both the methods conflict.

5. Define the notion of arbitrage. How does it affect the issue of capital structure?

6. Why is beta a measure of systematic risk? What are the implications of systematic risk?

7. What are the assumptions of Binomial pricing model?

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SECTION - B

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

8. Describe the decision tree approach with the help of an example. How is the technique useful in capital budgeting?

9. Why it is necessary to take into consideration the impact of inflation on investment decision?

10. Briefly discuss the effects of violations of the assumptions of ideal capital market.

11. Why is the separation of ownership and control a virtual necessity for the successful financing of large corporations?

12. Critically evaluate modigliani and miller's theory of capital structure.

13. Explain the different ways of resolving principal - agent conflict in corporate undertaking set up?

SECTION - C

14. Case Study (Compulsory). (1×15=15)

ABB Company is considering two mutually exclusive investments, project X and project Y. The expected cash flows of these projects are as follows :

Year	Project X (Rs.)	Project Y (Rs.)
0	10,000	16,000
1	12,000	2,000
2	6,000	4,000
3	2,500	6,000
4	20,000	8,000
5	40,000	4,000

Questions:

a) Construct the NPV profiles for Project X and Y

b) What is the IRR of each project.

c) Which project would you choose if the cost of capital is 8%? 16%?
