MBSC-3.2A

Sl. No.

III Semester M.B.A. Degree Examination, October/November - 2025

MANAGEMENT

Elective - A : Finance

Advance Corporate Finance

(CBCS, SLM Scheme)

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

SECTION - A

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

1. Write a short note on the Fisher rate of intersection.
2. State the key assumptions of the Capital Asset Pricing Model (CAPM).
3. Briefly explain the put-call parity theorem in option valuation.
4. What is adverse selection? How does it affect capital markets?
5. Write a short note on different forms of business organization with examples.
6. State the three forms of Efficient Market Hypothesis (EMH)
7. Write a short note on the role of corporate governance in reducing information asymmetry.

SECTION - B

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

8. Discuss the importance and characteristics of cash flow estimation in project appraisal.
9. Explain Agency theory
10. Critically analyse MM theory of capital Structure.
11. Explain the various methods of minimizing agency conflicts in corporations.
12. A firm has assets worth Rs. 500,00,000. It has issued debt of Rs. 300,00,000, repayable in one year. At the end of the year, the asset value may be either Rs.650,00,000 or Rs.250,00,000. Using the option approach:
    a) Calculate the value of equity.
    b) Calculate the value of debt.
    c) Comment on the implications for highly leveraged firms.
13. Explain the optimal decision under capital rationing with an illustration.

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SECTION - C

14. Case (Compulsory). **(1×15=15)**

Two projects, Delta and Sigma, each requiring an investment of Rs.10,00,000 are being evaluated. The expected cash inflows (in Rs) are:

Year	Delta	Sigma
1	3,00,000	4,00,000
2	3,50,000	3,00,000
3	4,00,000	2,50,000
4	4,50,000	2,00,000

The cost of capital is 12%. Calculate the IRR for both projects and recommend which project should be selected. Additionally, provide an assessment of risk and return trade off for each project.
