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Roll. No:

NOIDA INSTITUTE OF ENGINEERING AND TECHNOLOGY, GREATER NOIDA

(An Autonomous Institute Affiliated to AKTU, Lucknow)

MBA

SEM: II - THEORY EXAMINATION (20..... - 20.....)

Subject: Corporate Finance

Time: 3 Hours Max. Marks: 100

General Instructions:

IMP: *Verify that you have received the question paper with the correct course, code, branch etc.*

1. This Question paper comprises of three Sections -A, B, & C. It consists of Multiple Choice Questions (MCQ's) & Subjective type questions.

2. Maximum marks for each question are indicated on right -hand side of each question.

3. Illustrate your answers with neat sketches wherever necessary.

4. Assume suitable data if necessary.

5. Preferably, write the answers in sequential order.

6. No sheet should be left blank. Any written material after a blank sheet will not be evaluated/checked.

SECTION-A 20

1. Attempt all parts:-

1-a. Sources of finance include (CO1,K1) 1

(a) Bank loans

(b) Government grants

(c) Shareholder equity

(d) All of the above

1-b. Present value of ₹10,000 in 10 years @ 9% (CO1,K3) 1

(a) ₹4,223.2 9

(b) 4178.49

(c) 4217.35

(d) 4250.64

1-c. Capital structure decision affects this aspect of a firm (CO1,K2) 1

(a) Operational efficiency

(b) Cost of capital

(c) Dividend payout

(d) Inventory turnover

1-d. According to NI approach, overall cost of capital (CO2,K1) 1

(a) Decreases with more debt

(b) Increases with more debt

(c) Remains unchanged
(d) Increases with equity

1-e. Increase in assets greater than increase in liabilities results in (CO3,K2) 1

(a) Excess cash
(b) Decrease in retained earnings
(c) Need for external financing
(d) Increase in dividends

1-f. Capital budgeting is part of (CO3,K1) 1

(a) Operational planning
(b) Financial management
(c) Sales forecasting
(d) HR budgeting

1-g. .... represents direct payment of corporate profits to shareholders.(CO4,K2) 1

(a) Direct cash payment
(b) Issue of new shares
(c) Distribution of assets
(d) Promise of future cash

1-h. Types of Dividend policy Except (CO4,K1) 1

(a) Strict Dividend Policy
(b) Liberal Dividend Policy
(c) Irregular Dividend Policy
(d) Assets dividend

1-i. Business alliances often aim at gaining access to new markets.(CO5,K1) 1

(a) Risk reduction
(b) Market expansion
(c) Legal compliance
(d) Ownership dilution

1-j. Combined firm value exceeds sum of separate entities due to ....(CO5,K1) 1

(a) Diseconomies
(b) Liquidity
(c) Synergy
(d) Control premium

2. Attempt all parts:-

2.a. List two short-term sources of finance with examples.(CO1,K1) 2

2.b. Outline the features of an optimal capital structure.(CO2,K2) 2

2.c. List the key assumptions required to forecast a balance sheet.(CO3,K1) 2

2.d. Overview of the constant dividend per share policy.(CO3,K2) 2

2.e.	List any two benefits of forming a strategic alliance.(CO5,K1)	2

SECTION-B 30

3. Answer any five of the following:-

3-a.	Happy Harry has just bought a scratch lottery ticket and won Rs.10,000. He wants to finance the future study of his newly born daughter and invests this money in a fund with a maturity of 18 years offering a promising yearly return of 6%. What is the amount available on the 18th birthday of his daughter?.(CO1,K3)	6
3-b.	Define finance and describe its scope in business decision-making.(CO1,K1)	6
3-c.	Explain the relevance of capital structure in financial decision-making with suitable examples.(CO2,K2)	6
3-d.	Evaluate how the NI approach supports the relevance of capital structure in maximizing firm value.(CO2,K5)	6
3.e.	Discuss the capital budgeting strategies used by a successful multinational corporation.(CO3,K1)	6
3.f.	List various forms of dividends and provide brief descriptions.(CO4,K1)	6
3.g.	Outline the steps and features of a friendly takeover.(CO5,K2)	6

SECTION-C 50

4. Answer any one of the following:-

4-a.	Discuss the methods used to calculate the cost of debentures, preference shares, and equity capital.(CO1,K2)	10
4-b.	Ayappa Ltd. has issued 1,000, 9% prefcrence shares of Rs. 100 cach at Rs. 95 per share. The expenses of issue are-Underwriting Commission 2%, Brokerage 5% and Printing Rs. 1,000. The company is subjects to a tax rate of 50%. Find out the cost of capital after tax and before tax.(CO1,K3)	10

5. Answer any one of the following:-

5-a.	Prepare a numerical example to show the arbitrage process in M.M. hypothesis without taxes and prove the irrelevance of capital structure.(CO2,K3)	10
5-b.	The capital structure of M/s Deepika Ltd. on 31st March, 2024 was: (CO2,K3)	10

8% Debentures Rs.12,00,000
9% Bank Loans (Long-term) 2,00,000
10% Preference Shares of Rs. 14,00,000
19,000 Equity Shares of Rs. 100
19,00,000
Reserve & Surplus 13,00,000

The present carnings before interest and tax are Rs. 9,00,000. It is hoped that this company will maintain the same rate of return. The company needs Rs. 10,00,000 for an expansion programme. For this following financing alternatives are available:

(i) Issue of 9% debentures at par, (ii) Issue of equity shares at a premium of Rs. 25.
(iii) Issue of 10% Preference Shares at par,

Which alternative is the best for the Company? Assume tax rate 50%,

6. Answer any <u>one</u> of the following:-

6-a. M/s Heera Ltd is considering wheather to purchase some special Machines. Management does not wish to buy the machines unless their cost can be recovered in three years. 10
The following information is available :
(a) Cost of machine is ₹ 3,00,000.
(b) Life of the Machine 8 years.
(c) Sales revenue generated by the new machine ₹ 4,00,000 per annum.
(d) Variable cost is 60% of sales
(e) Annual fixed other than Depriciation ₹ 15,000
(f) Tax is at 50% Based on the criterion of three years recovery period, should the special machine be purchased ? Support your answer with computation of the period of time required for the investment of ₹ 3,00,000 to be recovered. the company has adopted straight line method of depreciation.(CO3,K3)

6-b. Demonstrate the role of capital budgeting techniques in the expansion plan of a multinational corporation.(CO3,K3) 10

7. Answer any <u>one</u> of the following:-

7-a. Explain the logic and mathematical framework of Gordon’s Model along with its practical implications.(CO4,K2) 10

7-b. the following information is given about M/s Reliable Ltd. Earning per share (EPS) Rs 8.00 Rate of return required by share holder 16% assuming that Gordon Model holds, what rate of return should earned on investment to ensure that the market price is Rs 50 When the dividend payout ratio is 20%.(CO4,K3) 10

8. Answer any <u>one</u> of the following:-

8-a. Discuss the step-by-step process of acquisition and the challenges involved.(CO5,K2) 10

8-b. "Two leading companies in the telecom sector merged horizontally to reduce competition and achieve economies of scale. However, the merger raised regulatory concerns.", 10
Analyze the impact of horizontal mergers on competition and the role of regulatory bodies in such mergers.(CO5,K3)

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