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Total Number of Pages: 02

Course: MBA  
Sub\_Code: 18MBA201

2<sup>nd</sup> Semester Back Examination: 2024-25  
SUBJECT: CORPORATE FINANCE  
BRANCH(S); BA, FM, FM&HRM, IB, LSCM, MBA, MBA(A&M), MM

Time: 3 Hours

Max Marks: 100

Q.Code: S273

Answer Question No.1 (Part-I) which is compulsory, any eight from Part-II and any two from Part-III.

The figures in the right hand margin indicate marks.

Part-I

Q1 Answer the following questions: (2 x 10)

- What is maximization of wealth?
- The annual requirement of inventory of a firm is 2700 units. If the ordering cost is Rs. 50 and Carrying cost per unit is Rs. 3, compute the EOQ
- What do you mean by WACC?
- Explain stock split and reverse split with example.
- What are floatation costs?
- How do you compute the Inventory Conversion Period?
- What is scrip dividend? When does a company recommend for scrip dividend?
- What is cash conversion cycle? Why is it so important for a business?
- What do you mean by operating leverage?
- What do understand by Relevant theory of dividend?

Part-II

Q2 Only Focused-Short Answer Type Questions- (Answer Any Eight out of Twelve) (6 x 8)

- A firm has sales of Rs. 20,00,000 variable cost of Rs. 14,00,000/- fixed cost Rs.4,00,000/- and 10% debentures of Rs. 10,00,000/- in its capital structure. What are its financial leverage, operating leverage, and combined leverage?
- Do you agree that dividend should be paid in cash only? Justify your answer.
- What are the short term sources of funds?
- Calculate the Market price of the share at 80% payout ratio using Gordon's formula if the EPS of a firm is Rs. 10, the equity capitalization rate is 20% and the rate of return on retained earnings is 10%.
- Explain the relevance of operating leverage with imaginary numbers.
- What is inventory? Discuss the techniques used for managing the inventory.
- Distinguish between Financing decision and Investment decision.
- What are the Non-DCF methods of project appraisal? Explain Two such methods.

- i) Explain the relationship between capital structure and value of the firm.
- j) What do you mean by receivables? What are the components of credit terms?
- k) What is Operating Cycle? What is its relevance?
- l) Discuss the relative merits of having adequate working capital and demerits of not having adequate level of working capital.

**Part-III**

**Only Long Answer Type Questions (Answer Any Two out of Four)**

**(16 x 2)**

- Q3** Distinguish between profit maximization and Wealth maximization concept. **(16)**
- Q4** A firm is evaluating the two mutually exclusive projects with an equal investment of Rs. 1, 50,000 each. The following cash flows. The projects are expected to generate cash flows as under: **(16)**

Year	project-1	project-2
1	58,000	30,000
2	42,000	24,000
3	30,000	36,000
4	20,000	48,000
5	34,000	36,000
6	42,000	18,000

Which project proposal should be recommended by the firm as per Net Present Value method and why? Assume the cost of capital to be 10% p.a. The following are the present value factors at 10% per annum.

Year	1	2	3	4	5	6
Factor	0.909	0.826	0.751	0.683	0.621	0.564

- Q5** What is working capital? What factors should you consider to ascertain the working capital requirement of a company? **(16)**
- Q6** Write short notes on **(16)**
- a. Long term sources of Funds
  - b. Motives for holding cash.