

Roll No.

Total No. of Pages : 02

Total No. of Questions : 17

MBA/MBA(IB) (2018 Batch) (Sem.-2)
CORPORATE FINANCE AND INDIAN FINANCIAL SYSTEM
Subject Code : MBA-206-18
M.Code : 76158

Time : 3 Hrs.

Max. Marks : 60

INSTRUCTIONS TO CANDIDATES :

1. SECTION-A contains EIGHT questions carrying TWO marks each and students has to attempt ALL questions.
2. SECTION-B consists of FOUR Subsections : Units-I, II, III & IV. Each Subsection contains TWO questions each carrying EIGHT marks each and student has to attempt any ONE question from each Subsection.
3. SECTION-C is COMPULSORY and consist of ONE Case Study carrying TWELVE marks.

SECTION-A

1. What are hybrid securities?
2. What is net present value?
3. What is working capital?
4. What is a bond?
5. What is future value?
6. What is Swap contract?
7. What is agency cost?
8. What is a stock exchange?

SECTION-B

UNIT-I

9. How wealth maximization objective is superior to profit maximization?
10. Explain how valuation of debt securities is done.

UNIT-II

11. What are the features of capital structure decision?
12. Explain net present value method with an example.

UNIT-III

13. What are the factors determining working capital?
14. Explain irrelevance of dividend theory.

UNIT-IV

15. Explain the functions of a financial system.
16. Explain important money market instruments.

SECTION-C

17. Case study :

Blue

Blue is a multinational furniture retailer listed on its local stock exchange. It has experienced rapid growth in recent years, partly via acquisitions and partly by generic growth. A substantial proportion of the shareholders are institutional investors but there is also a significant proportion of shares held by private individuals. Blue follows a conservative dividend policy, paying a relatively low dividend with a small but steady growth in dividend levels. This has led to the accumulation of surplus funds. Mr B, a director of a major institutional shareholder of Blue, has recently requested that surplus funds be returned to shareholders. The Directors of Blue are currently considering this request.

Green

Green is a privately-owned, family-run small furniture retail chain with just 10 shareholders. Historically, Green's dividend payouts have varied considerably year-on year. Recent payouts have been between 10% and 50% of profit for the year, largely depending on investment opportunities available. In the current year, the shareholders have not been able to agree on an appropriate level of dividend. Mr. G, one of the shareholders, is planning a major extension on his house and has requested a large dividend payment. However, the other shareholders wish to retain cash within the company for investment in future projects.

Question :

“Both Blue and Green have the primary financial objective of maximizing shareholder value”. What in your views they should do?

NOTE : Disclosure of Identity by writing Mobile No. or Making of passing request on any page of Answer Sheet will lead to UMC against the Student.