

Roll No.

Total No. of Pages : 03

Total No. of Questions : 17

MBA (Sem.-2)
CORPORATE FINANCE AND POLICY

Subject Code : MBA-206-21

M.Code : 92177

Date of Examination : 18-07-22

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.
4. Student may be allowed to use non-scientific calculator.

SECTION-A

Write short notes on the following :

1. Functions of Financial Management.
2. Annuity
3. Weighted Average Cost of Capital.
4. ROI
5. Trading on Equity
- 6 Accounting Rate of Return
7. Permanent Working Capital
8. Stock Dividend.

SECTION-B

UNIT-I

9. What is corporate finance? Discuss in detail the interface of financial management with other functional areas of management.
10. What is capital market? Discuss in detail how capital market facilitates mobilizing long-term funds for a company.

UNIT-II

11. Write a detailed note on MM Hypothesis I and II. Discuss in detail the principle of arbitrage between debt and equity for explaining MM Hypothesis 1 and II.
12. What is specific and marginal cost of capital? Discuss in detail the role and importance of cost of capital of a firm in various financial decisions of a company.

UNIT-III

13. What is combined leverage? Write a detailed note on the impact of financial leverage on the risk profile of a firm. Give suitable examples to support your answer.
14. ABC Co. Ltd. is evaluating the financial feasibility of following machine and has sought your opinion whether this machine should be installed if the cost of capital of the firm is 10%

Machine	Initial Investment	Cash Flow (Amount in Rs.)				
		Year 1	Year 2	Year 3	Year 4	Year 5
X	5,00,000	2,00,000	1,30,000	1,50,000	1,90,000	-20,000

UNIT-IV

15. What do you mean by working capital? Discuss in detail various factors determining working capital of a company in India.
16. Write a detailed note on various forms of dividend policies followed by companies in India. Also, briefly discuss Walter's model for determining dividend policy of a company.

SECTION-C

17. Case Study :

Based on the following information, prepare a cash budget for ABC Ltd. :

	1 st Quarter (Rs.)	2 nd Quarter (Rs.)	3 rd Quarter (Rs.)	4 th Quarter (Rs.)
Opening ash balance	10,000	—	—	—
Collection from Customers	1,25,000	1,50,000	1,60,000	2,21,000
Purchase of Material	20,000	35,000	35,000	17,000
Other Expenses	25,000	20,000	20,000	17,000
Salary and Wages	90,000	95,000	95,000	1,09,200
Income Tax	5,000	----	----	----
Purchase of Machinery	—	---	—	20,000

The company desires to maintain a cash balance of Rs. 15,000 at the end of each quarter. Cash can be borrowed or repaid in multiples of Rs. 500 at an interest of 10% p.a. Management does not want to borrow cash more than what is necessary and wants to repay as early as possible. In any event, loans cannot be extended beyond four quarters. Interest is computed and paid when the principal is repaid. Assume that borrowings take place at the beginning and repayments are made at the end of the quarters.

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