

Roll No.

Total No. of Pages : 03

Total No. of Questions : 10

**MBA (Sem-2)**  
**CORPORATE FINANCE AND POLICY**

Subject Code : MBA206-21

M.Code : 92177

Date of Examination : 03-12-2025

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. Write briefly :

- a) Long-term Sources of Finance.
- b) Annuity
- c) Capital Structure
- d) Cost of Debt
- e) Financial Leverage
- f) Capital Rationing
- g) Stock Dividend
- h) Operating Cycle

## SECTION - B

### UNIT - I

2. *'Financial management is not a super specialized discipline but it is multidisciplinary in nature'*, Explain. Also, briefly discuss the role and functions of finance manager.
3. You will deposit Rs.50,000 per year for five years at 4%. Then you will just let the money sit there and draw interest. If interest in this second stage is 7%, how much would you have four years after the second stage starts?

### UNIT - II

4. What do you mean by cost of capital? Briefly describe various components of cost of capital. Also explain the computation of weighted average cost of capital if  $K_e = 15%$ ;  $K_p = 12%$  and  $K_d = 9%$  with  $W_e = 0.50$ ;  $W_p = 0.20$  and  $W_d = 0.20$  and balance is the weight of retained earnings.
5. Discuss in detail the Modigliani-Miller Hypothesis I and II.

### UNIT - III

6. *'Business risk defines operating leverage and financial risk explains the financial leverage'*. Explain with suitable examples.
7. Differentiate between discounted and non-discounted cash flow methods for evaluating capital budgeting decisions. Also, briefly explain the most suitable methods for capital rationing decision. Give suitable example in support of your answer.

### UNIT - IV

8. Discuss the various forms of dividend. Briefly explain the Gordon and Walter models of dividend.
9. Define net working capital. Discuss the various approaches of working capital management.

## SECTION - C

### 10. Case Study :

You are provided with the following important financial ratios and shareholding pattern of Hero MotoCorp from 2019-20 to 2023-24:

Financial Year	Price / Earnings Ratio	Price / Book Value Ratio	Economic Value/ EBITDA	Dividend per Share (Rs.)	Dividend Payout Ratio (%)	Dividend Yield (%)
2019-20	8.76x	2.19x	6.75x	90	53.25	4.87
2020-21	19.6x	3.83x	12.8x	90	65.75	2.89
2021-22	18.6x	2.9x	12.0x	95	82.32	3.47
2022-23	16.1x	2.81x	10.8x	100	71.12	2.42
2023-24	23.8x	5.24x	17.0x	140	72.16	1.56

Source: Moneycontrol.com and Annual Reports of Hero MotoCorp Co. Ltd.

Shareholder Category	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Promoters	34.60%	34.80%	34.75%	34.76%	34.75%
FIIs	34.30%	34.00%	29.22%	27.01%	29.59%
DIIs	18.50%	18.50%	24.24%	27.86%	26.94%
Public & Others	12.60%	12.70%	11.79%	10.37%	8.72%

Source: Moneycontrol.com and Annual Reports of Hero MotoCorp Co. Ltd.

Using the above information, you are required to :

- Describe the stage of life cycle of Hero MotoCorp.
- Important financial decisions Hero MotoCorp should consider for long-term sustainability.

**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.**