90213 **M-6410**

Sl.No. Total No. of Pages : 3

II Semester M.B.A. Examination, June/July 2019
(Scheme : 2011)
BUSINESS ADMINISTRATION
Corporate Finance

Time : 3 Hours **Max. Marks : 75**

Instruction : ***Answer all sections.***

SECTION - A

Answer all questions. Each question carries five marks. [5×6=30]

Q1) Evaluate the social responsibility associated with financial management.

Q2) Explain the danger of excessive working capital.

Q3) Explain the need and importance of capital budgeting.

Q4) The following data relates to company A and B:

Particulars	A Co.	B Co.
EBIT	Rs. 200	200
Contribution	400	500
Interest	100	100

If company's sales are expected to decrease by 5 percent, calculate the percentage change in EPS and comment the risk associated with the companies.

Q5) Explain the significance of time value of money.

P.T.O.

SECTION - B

Answer any three of the following questions. Each question carries Ten marks. [3×10=30]

Q6) Elucidate the financial management decisions.

Q7) Discuss different decision variables which influence receivables.

Q8) Explain the CAPM model in detail.

Q9) Rank the following projects in order of their desirability according to the payback period method and profitability index method. Assume a discount rate of 10 percent and offer your suggestion.

Project	Initial outlay (Rs)	Annual Cash Flow (Rs)	Life in Years
A	10,000	2,500	5
B	8,000	2,600	7
C	4,000	1,000	15
D	10,000	2,400	20
E	5,000	1,125	15
F	6,000	2,400	6
G	2,000	1,000	2

Q10) A Co. has a net profit of Rs. 2,00,000 on an investment of Rs. 10,00,000 in assets. It can raise debt at 16 percent rate of interest. Assume there are no taxes and the overall capitalisation rate is 12 percent. Compute the total value of the firm and cost of equity capital if the firm has (i) no debt, (ii) Rs. 3,00,000 debt (iii) Rs. 6,00,000 debt. Whether the value calculated represent optimum capital struture?

SECTION - C

(Compulsory)

[1×15=15]

Q11) An investor is looking for investment. The share of ABC Company is currently selling for Rs. 160. They have plans to pay a dividend of Rs. 3 per share in the first year, which will grow at 12 percent till the end of fifth year. Thereafter it will grow at a constant rate of 8 percent forever. Another company XYZ's share is currently selling for Rs. 160. The company in the past paid a constant dividend of Rs. 3 per share, but it is now expected to grow at 8 percent compound rate for over a very long period. Should the shares be purchased, if the required rate of the investor is 10 percent? Offer your suggestion to the investor.

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