Roll No. [ ] Total No. of Pages : 03

Total No. of Questions : 10

MBA / MBA (Fintech) (Sem–2)

CORPORATE FINANCE AND POLICY

Subject Code : MBA206-21

M.Code : 92177

Date of Examination : 10-06-2025

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) Short-term Sources of Finance.

   b) Hybrid Securities

   c) Debt-Equity Mix

   d) Yield-to-Maturity

   e) Operating Leverage

   f) Payback Period

   g) Bonus Shares

   h) Temporary Working Capital.

SECTION - B

UNIT - I

2. What is corporate finance? Discuss in detail the objectives of corporate finance. Also briefly explain how wealth maximization is superior to profit maximization objective.

3. How much you must deposit today in order to make five equal annual withdrawals of Rs. 60,000 every year?

UNIT - II

4. What do you mean by cost of debt? Discuss various methods for computing cost of debt. Discuss in detail why the debt is considered to be a cheaper source of finance than equity.

5. What do you mean by capital structure? Compare and contrast the Net Operating Income, Net Income and Traditional approaches of relevance / irrelevance of capital structure.

UNIT - III

6. ***'Economic, operational, business and financial risk are major determinants of combined leverage of a company'.*** Elucidate with suitable examples.

7. ***'Expected cash flows are a better proxy of profitability of a capital budgeting project than accounting profit'***. Critically examine the statement. Also, briefly differentiate between Internal Rate of Return and Accounting Rate of Return Methods for evaluating capital budgeting decisions.

UNIT - IV

8. ***'Dividend is distribution of free profits but dividend policy is affected by the stage of life cycle of the company'.*** Explain. Also, briefly discuss the various types of dividend policy.

9. What do you mean by working capital? Discuss various factors affecting working capital.

SECTION - C

10. **Case Study :**

ABC Textiles Ltd. is a medium-sized textile manufacturing company specializing in cotton and polyester fabrics. Due to increasing demand, the company is considering investing in a new weaving machine to expand production capacity. However, management must evaluate whether the investment is financially viable before proceeding. The proposed investment involves purchasing a new weaving machine and additional infrastructure improvements. The relevant details are as follows :

a) Initial Investment (Capital Expenditure) – Rs. 15,00,000.

b) Expected Useful Life - 5 years.

c) Salvage Value (End of Year 5) – Rs. 1,00,000.

d) Additional Working Capital Required – Rs. 2,00,000 (to be recovered at the end of Year 5).

e) Annual Revenue Increase – Rs. 9,00,000.

f) Annual Operating Costs (including maintenance and labor) – Rs. 4,00,000.

g) Depreciation Method - Straight-line over 5 years.

h) Corporate Tax Rate - 30%.

i) Cost of Capital (Discount Rate) - 10%.

Using Net Present Value and Profitability Index Methods, you are required to suggest whether the project is financially viable?

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.