Printed Page:- 04 **Subject Code:- BMBA0202**

Roll. No:

NOIDA INSTITUTE OF ENGINEERING AND TECHNOLOGY, GREATER NOIDA

(An Autonomous Institute Affiliated to AKTU, Lucknow)

MBA

SEM: II - THEORY EXAMINATION (2023 - 2024)

Subject: Corporate Finance

Time: 3 Hours **Max. Marks: 100**

General Instructions:

IMP: *Verify that you have received the question paper with the correct course, code, branch etc.*

1. *This Question paper comprises of* ***three Sections -A, B, & C.*** *It consists of Multiple Choice Questions (MCQ's) & Subjective type questions.*

2. *Maximum marks for each question are indicated on right -hand side of each question.*

3. *Illustrate your answers with neat sketches wherever necessary.*

4. *Assume suitable data if necessary.*

5. *Preferably, write the answers in sequential order.*

6. *No sheet should be left blank. Any written material after a blank sheet will not be evaluated/checked.*

SECTION-A 20

1. Attempt all parts:-

1-a. Reserves & Surplus are which form of financing? (CO1) 1

(a) Security Financing
(b) Internal Financing
(c) Loans Financing
(d) International Financing

1-b. Shareholder wealth" in a firm is represented by: (CO1) 1

(a) The Number Of People Employed In The Firm.
(b) The Book Value Of The Firm'S Assets Less The Book Value Of Its Liabilities
(c) The Amount Of Salary Paid To Its Employees.
(d) The Market Price Per Share Of The Firm'S Common Stock.

1-c. The cost of equity capital is typically higher than the cost of debt because: (CO2) 1

(a) Equity Has Voting Rights, While Debt Does Not.
(b) Equity Investors Share The Company's Profits, While Debt Holders Receive A Fixed Interest Rate.
(c) Debt Is Easier To Issue Than Equity.
(d) All Of The Above.

1-d. The Dividend Discount Model (DDM) requires the following information to estimate the cost of equity: (CO2) 1

(a) The Company's Current Stock Price And Expected Growth Rate.

(b) The Company's Debt-To-Equity Ratio And Cost Of Debt.

(c) The Beta Of The Company And The Risk-Free Rate.

(d) The Company's Recent Dividend Payout And Historical Growth Rate.

1-e. A limitation of forecasting an income statement is that: (CO3) 1

(a) It Provides Valuable Insights For Future Planning.

(b) It Can Be A Time-Consuming And Complex Process.

(c) It Guarantees Future Financial Performance.

(d) It Is Not Relevant For Small Businesses.

1-f. Cash flow from operating activities is primarily affected by: (CO3) 1

(a) Changes In Inventory Levels

(b) Issuing New Shares

(c) Purchase Of Equipment

(d) Repayment Of Long-Term Debt

1-g. ___________among the following dividend policies is based on paying a fixed dividend per share. (CO4) 1

(a) Stable dividend policy

(b) Constant dividend policy

(c) Residual dividend policy

(d) Target payout ratio policy

1-h. ___________ varies inversely with profitability. (CO4) 1

(a) Liquidity.

(b) Risk.

(c) Accounts.

(d) Trade.

1-i. ________activities is/are not associated with spin-off. (CO5) 1

(a) Creation of a new legal entity

(b) Distribution of shares to a portion of existing shareholders in a subsidiary in exchange for parent company stock

(c) Distribution of shares on pro rata basis to existing shareholders of the parent company.

(d) Separation of control

1-j. __________is the primary purpose of a merger. (CO5) 1

(a) To increase market competition

(b) To reduce operational costs

(c) To increase market share and expand business operations

(d) To maximize shareholder dividends

2. Attempt all parts:-

2.a. Discuss WACC. (CO1) 2

2.b.	Define cost of debt (After tax). (CO2)	2
2.c.	Define two advantages of NPV method of capital budgeting. (CO3)	2
2.d.	Discuss some factors companies consider when setting a dividend policy. (CO4)	2
2.e.	Define leveraged buyout (LBO). (CO5)	2

SECTION-B 30

3. Answer any five of the following:-

3-a.	"Finance is blood for an organization." Comment. (CO1)	6
3-b.	Explain annuity. How the future rate of annuity is determined? (CO1)	6
3-c.	A company issued bonds with a face value of Rs. 1,000 each. The bonds have a maturity of 5 years and an annual coupon rate of 6%. The company's tax rate is 40%. Calculate the after tax cost for this company. (CO2)	6
3-d.	Discuss the capital structure with all components. (CO2)	6
3.e.	A project costs Rs. 5,00,000 and yield annually a profit of Rs. 80,000 after depreciation @ 12% p.a. but before tax of 50%. Calculate the payback period. (CO3)	6
3.f.	Are dividends really irrelevant? If not then discuss the arguments for relevance of dividend policy. (CO4)	6
3.g.	Explain the difference between horizontal, vertical, and conglomerate mergers. (CO5)	6

SECTION-C 50

4. Answer any one of the following:-

4-a.	Differentiate between wealth maximization and profit maximization. (CO1)	10
4-b.	Explain the long term sources of finance. (CO1)	10

5. Answer any one of the following:-

5-a.	Broadly differentiate between the cost of debt and the cost of equity. (CO2)	10
5-b.	Describe how you will calculate cost of debt, cost of equity and cost of preference share. (CO2)	10

6. Answer any one of the following:-

6-a.	Discuss the limitations and potential pitfalls of using the Payback Period method for capital budgeting decisions. (CO3)	10
6-b.	Calculate the NPV of a project with an initial investment of $150,000 and expected cash inflows of $40,000 per year for 5 years, assuming different discount rates of 8%, and 10%. PVF values @ 10% Year 1: 0.9091, Year 2: 0.8264, Year 3: 0.7513, Year 4: 0.6830, Year 5: 0.6209. PVF values @ 8% Year 1: 0.9259, Year 2: 0.8573, Year 3: 0.7938, Year 4: 0.7350, Year 5: 0.6806 (CO3)	10

7. Answer any one of the following:-

7-a.	Explain the fundamental difference between the relevance and irrelevance theories of dividend policy. (CO4)	10
7-b.	Discuss the Gordon Growth Model (GGM) incorporate dividends into its	10

valuation formula. (CO4)

8. Answer any <u>one</u> of the following:-

8-a. Discuss how companies evaluate and manage the financial risks associated with mergers and acquisitions. (CO5) 10

8-b. Discuss the impact do antitrust laws have on mergers and acquisitions, and how do companies address regulatory concerns. (CO5) 10