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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

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1. Attempt all parts:-

- 1-a. Which of the following are not among the daily activities of financial management? (CO1) 1
- (a) Sales Of Share And Bonds
 - (b) Credit Management
 - (c) Inventory Control
 - (d) The Receipt And Disbursement Of Funds
- 1-b. In the _____, the future value of all cash inflow at the end of time horizon at a particular rate of interest is calculated. (CO1) 1
- (a) Risk-Free Rate
 - (b) Compounding Technique
 - (c) Discounting Technique
 - (d) Risk Premium
- 1-c. An increase in the corporate tax rate would likely lead to: (CO2) 1
- (a) An Increase In The Cost Of Equity.
 - (b) A Decrease In The Cost Of Debt.
 - (c) No Change In The WACC
 - (d) A Decrease In The Cost Of Capital.
- 1-d. The NOI approach assumes that: (CO2) 1
- (a) Debt And Equity Levels Remain Constant.
 - (b) Dividends Grow At A Constant Rate.
 - (c) The Cost Of Capital (Ke) Is Unaffected By Leverage.
 - (d) Interest Expense And Taxes Are Ignored.
- 1-e. Long-term financial planning focuses on: (CO3) 1
- (a) Managing Day-To-Day Cash Flow Needs.
 - (b) Developing Strategies For Future Growth And Profitability.

- (c) Optimizing Short-Term Investments.
- (d) Minimizing Tax Liabilities For The Current Year.
- 1-f. When forecasting an income statement, it's important to consider: (CO3) 1
- (a) Only Historical Data Of The Company.
- (b) Industry Trends And Economic Factors.
- (c) Planned Changes In Operations Or Investments.
- (d) All Of The Above.
- 1-g. EBIT is usually the same thing as: (CO4) 1
- (a) Funds provided by operations
- (b) Earnings before taxes
- (c) Net income
- (d) Operating profit
- 1-h. _____ varies inversely with profitability. (CO4) 1
- (a) Liquidity.
- (b) Risk.
- (c) Accounts.
- (d) Trade.
- 1-i. _____ of the following is NOT typically a reason for a company to pursue a merger or acquisition (CO5) 1
- (a) Expansion into new geographic markets
- (b) Diversification of products or services
- (c) Liquidating the company
- (d) Access to new technologies
- 1-j. _____ is NOT a factor that may influence the success of a merger or acquisition. (CO5) 1
- (a) Cultural compatibility
- (b) Market competition
- (c) Regulatory environment
- (d) Stock market volatility

2. Attempt all parts:-

- 2.a. Explain indifference point. (CO1) 2
- 2.b. Define cost of debt (After tax). (CO2) 2
- 2.c. Define NOPAT. (CO3) 2
- 2.d. Define the two main types of dividends. (CO4) 2
- 2.e. Define due diligence in the context of mergers and acquisitions. (CO5) 2

SECTION B

30

3. Answer any five of the following:-

- 3-a. Describe the sources of finance. (CO1) 6
- 3-b. Explain in detail the functions of financial manager. (CO1) 6
- 3-c. Explain how opportunity cost affects a company's investment decisions. (CO2) 6
- 3-d. Monica Ltd. Issued 10,000, 14% debentures of Rs. 100 each at a discount of 5%. The debentures are irredeemable. Cost of issue is 2%. And the rate of tax is 50%. Calculate cost 6

of capital before tax. (CO2)

- 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. Explain factors determining the dividend policy of a company. (CO4) 6
- 3.g. Discuss the role of due diligence in mergers and acquisitions. (CO5) 6

SECTION C

50

4. Answer any one of the following:-

- 4-a. Write a note on time value of money. (CO1) 10
- 4-b. Define equity capital and discuss the advantages to a company of raising finance in this way. (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. X Co. Ltd. Has issued 30,000 equity shares of Rs. 100 as fully paid. The present market price of these shares is Rs. 150 per share. The company has paid a dividend of Rs. 10 per share. Find out the cost of equity capital. (CO2) 10

6. Answer any one of the following:-

- 6-a. Discuss the importance of capital budgeting for a firm and its impact on long-term financial health of a company. (CO3) 10
- 6-b. Calculate the Payback Period for a project with an initial investment of Rs 50,000 and expected annual cash inflows of Rs. 15,000 (CO3) 10

7. Answer any one of the following:-

- 7-a. Discuss the Gordon Growth Model (GGM) incorporate dividends into its valuation formula. (CO4) 10
- 7-b. Behavioral biases of investor plays an important role in dividend policy decisions". Comment (CO4) 10

8. Answer any one of the following:-

- 8-a. Explain the role of strategic planning and goal alignment in successful mergers and acquisitions. (CO5) 10
- 8-b. Can you provide insights into the long-term implications of mergers and acquisitions on industry dynamics, competition, and market structure. (CO5) 10