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Printed Page:-4 **Subject Code:- CMBA0202**

Roll. No:

NOIDA INSTITUTE OF ENGINEERING AND TECHNOLOGY, GREATER NOIDA
(An Autonomous Institute Affiliated to AKTU, Lucknow)
MBA
SEM: II - THEORY EXAMINATION (2025 - 2026)
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:-

(1.1) Financial management primarily deals with procurement and effective utilization of (CO1, K1) 1

(a) Funds
(b) Machines
(c) Labor
(d) Goods

(1.2) Time value of money means (CO1, K1) 1

(a) Money remains same
(b) Value changes over time
(c) Value becomes zero
(d) Value becomes fixed

(1.3) A condition involving uncertainty in investment decisions. (CO2, K1) 1

(a) Stability
(b) Risk
(c) Safety
(d) Liquidity

(1.4) A technique used to identify the most sensitive variable. (CO2, K3) 1

(a) Forecasting
(b) Sensitivity analysis
(c) Budgeting
(d) Auditing

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(1.5) Debenture holders receive _____. (CO3, K1) 1

(a) Dividend
(b) Interest
(c) Bonus
(d) Commission

(1.6) Under NOI approach, overall cost of capital remains _____. (CO3, K2) 1

(a) Increasing
(b) Decreasing
(c) Negative
(d) Constant

(1.7) The Profitability Index (PI) is also known as: (CO4, K1) 1

(a) Payback Ratio
(b) ARR
(c) IRR
(d) Benefit-Cost Ratio

(1.8) Capital Budgeting decisions are generally: (CO4, K1) 1

(a) Reversible
(b) Irreversible
(c) Short-term
(d) Nominal

(1.9) _____among the following dividend policies is based on paying a fixed dividend per share. (CO5, K1) 1

(a) Stable dividend policy
(b) Constant dividend policy
(c) Residual dividend policy
(d) Target payout ratio policy

(1.10) The value of EBIT at which EPS is equal to zero is known as (CO5, K1) 1

(a) Break-even point
(b) Financial break-even point
(c) Operating break-even point
(d) Overall break-even point

2. Attempt all parts:-

(2.1) State the objectives of financial management. (CO1, K1) 2

(2.2) Define risk in financial management. (CO2, K1) 2

(2.3) Explain EBIT-EPS analysis. (CO3, K2) 2

(2.4) Identify two main limitations of the simple Payback Period method. (CO4, K2) 2

(2.5) Define a stock split. (CO5, K1) 2

SECTION-B 30

Answer any one of the following:-

(3.1) Differentiate between profit maximization and wealth maximization with suitable 6

examples. (CO1, K2)

(3.2) Calculate the present value of ₹40,000 receivable after 6 years at 9% interest rate. (CO1, K3) 6

Answer any one of the following:-

(3.3) Differentiate between systematic risk and non-systematic risk with examples. (CO2, K3) 6

(3.4) If an investment has a 45% chance of earning a return of Rs.12, a 35% chance of earning a return of Rs.18, and a 20% chance of incurring a loss of Rs.8, calculate the expected return. (CO2, K3) 6

Answer any one of the following:-

(3.5) Explain the advantages of debenture financing. A company issues 14% debentures of ₹1,000 each at 5% discount redeemable after 4 years at par. Tax rate is 25%. Calculate the cost of debt capital. (CO3, K5) 6

(3.6) Explain various sources of long-term finance and evaluate their suitability for different business situations. (CO3, K5) 6

Answer any one of the following:-

(3.7) Compare and contrast the NPV and IRR methods of investment appraisal. (CO4, K4) 6

(3.8) A project costs ₹20,00,000 and generates cash inflows of ₹6,00,000, ₹7,00,000, ₹8,00,000 and ₹9,00,000 over four years. Using 12% discount rate, calculate Net Present Value (NPV). (CO4, K5) 6

Answer any one of the following:-

(3.9) Critically examine the relationship between dividend policy and shareholders' wealth maximization. (CO5, K4) 6

(3.10) XYZ Ltd. has reported Earnings Per Share of ₹25 and pays a dividend of ₹10 per share. The firm earns a return of 12% on its investments while the cost of capital is 15%. Using Walter's Model, determine the market value per share. Explain the effect of dividend policy on the value of the firm in this case. (CO5, K4) 6

SECTION-C 50

4. Answer any one of the following:-

(4.1) Analyze the concept of firm value and equity value and explain their importance in financial decision making. (CO1, K3) 10

(4.2) Happy Harry has just bought a scratch lottery ticket and won Rs10,000. He wants to finance the future study of his newly born daughter and invests this money in a fund with a maturity of 18 years offering a promising yearly return of 6%. What is the amount available on the 18th birthday of his daughter?(CO1, K2) 10

5. Answer any one of the following:-

(5.1) Elaborate the concept of risk-return trade-off in capital budgeting decisions. (CO2, K3) 10

(5.2) Discuss the importance of balancing risk and return in investment management. (CO2, K3) 10

6. Answer any one of the following:-

(6.1) Explain why debt capital is considered cheaper than equity capital. A company issues 11% debentures of ₹1,000 redeemable after 5 years at par. Floatation cost is 3% and tax rate is 30%. Calculate cost of debt. (CO3, K3) 10

(6.2) Explain MM hypothesis without taxes and discuss its assumptions and criticisms. (CO3, K5) 10

7. Answer any one of the following:-

(7.1) XYZ Ltd. is evaluating a project costing ₹18,00,000 with expected cash inflows of ₹4,00,000, ₹5,00,000, ₹6,00,000, ₹7,00,000 and ₹8,00,000 over five years. The discount rate is 10%. Calculate NPV and Profitability Index and interpreate the result. (CO4, K3) 10

(7.2) A firm has to choose between two projects with unequal cash inflows. Explain how IRR and NPV techniques help in selecting the appropriate project. (CO4, K5) 10

8. Answer any one of the following:-

(8.1) Compare Walter's Model and Gordon's Model in terms of assumptions, applicability, and impact on firm valuation. (CO5, K5) 10

(8.2) PQR Ltd. has Earnings Per Share of ₹60 and pays a dividend of ₹24 per share. The company's return on investment is 14% and its cost of capital is 10%. Calculate the value of the share using Walter's Model. Explain the significance of retained earnings in determining the market value of shares. (CO5, K5) 10