

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

NOIDA INSTITUTE OF ENGINEERING AND TECHNOLOGY, GREATER NOIDA
(An Autonomous Institute Affiliated to AKTU, Lucknow)

MBA MF

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 focuses on maximizing shareholder wealth. (CO1, K1) | 1 |
| | (a) Maximizing shareholder wealth | |
| | (b) Inventory control | |
| | (c) Office administration | |
| | (d) Recruitment | |
| (1.2) | Time value of money recognizes difference in money value over time. (CO1, K1) | 1 |
| | (a) Difference in money value | |
| | (b) Random taxation | |
| | (c) Office timing | |
| | (d) Manual filing | |
| (1.3) | Risk refers to uncertainty in expected returns. (CO2, K1) | 1 |
| | (a) Uncertainty in expected returns | |
| | (b) Office planning | |
| | (c) Inventory growth | |
| | (d) Recruitment | |
| (1.4) | Return represents income earned on investment. (CO2, K1) | 1 |
| | (a) Random taxation | |
| | (b) Income earned on investment | |
| | (c) Office timing | |
| | (d) Manual filing | |
| (1.5) | Capital structure consists of debt and equity financing. (CO3, K1) | 1 |

- (a) Debt and equity financing
 - (b) Inventory planning
 - (c) Office management
 - (d) Recruitment
- (1.6) Cost of capital represents minimum required return. (CO3, K1) 1
- (a) Random taxation
 - (b) Minimum required return
 - (c) Office timing
 - (d) Manual filing
- (1.7) Capital budgeting evaluates long-term investment projects. (CO4, K1) 1
- (a) Long-term investment projects
 - (b) Office planning
 - (c) Inventory filing
 - (d) Recruitment
- (1.8) NPV method considers time value of money. (CO4, K2) 1
- (a) Random taxation
 - (b) Time value of money
 - (c) Office timing
 - (d) Manual records
- (1.9) Gordon model supports relevance of dividend policy. (CO5, K2) 1
- (a) Random repairs
 - (b) Inventory planning
 - (c) Office decoration
 - (d) Dividend relevance
- (1.10) MM theory assumes perfect capital market conditions. (CO5, K2) 1
- (a) Perfect capital market
 - (b) Random decline
 - (c) Office filing
 - (d) Inventory reduction

2. Attempt all parts:-

- (2.1) Define financial management. (CO1, K1) 2
- (2.2) Define systematic risk. (CO2, K1) 2
- (2.3) Define retained earnings. (CO3, K1) 2
- (2.4) Define capital budgeting. (CO4, K1) 2
- (2.5) Define stock dividend. (CO5, K1) 2

SECTION-B

30

Answer any one of the following:-

- (3.1) You invest ₹25,000 today, ₹10,000 at year 2, ₹10,000 at year 4. Interest 8%. Discuss the value at the end of year 5. (CO1, K3) 6
- (3.2) Discuss advantages and disadvantages of wealth maximization objective. (CO1, K2) 6

Answer any one of the following:-

- (3.3) Explain systematic and non-systematic risk with examples. (CO2, K2) 6
- (3.4) Explain portfolio diversification and risk reduction. (CO2, K2) 6

Answer any one of the following:-

- (3.5) Explain cost of equity and solve the following 6
 $P_0 = ₹100$, $D_1 = ₹8$, $g = 5\%$. Find out Cost of Equity. (CO3, K4)
- (3.6) Differentiate between relevance and irrelevance theories of capital structure. (CO3, K4) 6

Answer any one of the following:-

- (3.7) Discount Rate = 10% (CO4, K5) 6
- | Particulars | Project M | Project N | | | |
|--------------------|-----------|-----------|--------|--------|--------|
| Initial Investment | ₹1,50,000 | ₹2,00,000 | | | |
| Estimated Life | 5 years | 5 years | | | |
| Scrap Value | ₹8,000 | ₹10,000 | | | |
| Cash Inflows | | | | | |
| Year | 1 | 2 | 3 | 4 | 5 |
| Project M | 30,000 | 35,000 | 40,000 | 38,000 | 32,000 |
| Project N | 40,000 | 42,000 | 45,000 | 40,000 | 35,000 |
- Calculate NPV and interpretate the result.

- (3.8) Explain capital budgeting process in organizations. (CO4, K2) 6

Answer any one of the following:-

- (3.9) Explain different forms of dividends in companies. (CO5, K2) 6
- (3.10) Discuss Gordon model and solve the following. 6
 A company paid a dividend of ₹8 per share last year. Dividends are expected to grow at 5% per year indefinitely. If the investor's required rate of return is 12%, calculate the market price of the share using the Gordon Dividend Model. (CO5, K3)

SECTION-C 50

4. Answer any one of the following:-

- (4.1) A café owner, Mr. Arjun, plans to open a new branch in 4 years. To accumulate capital, he sets aside money periodically: (CO1, K3) 10
 ₹50,000 now
 ₹70,000 at the end of year 2
 ₹1,00,000 at the end of year 3
 He invests the amount in a business deposit scheme earning 10% per annum.
 Question:
 How much money will Arjun have by the end of year 4 for his branch expansion?
- (4.2) Ritika wants to build a fund for her MBA abroad. She estimates the amount she needs will be quite large, so she starts investing early. (CO1, K3) 10
 She invests:
 ₹25,000 today
 ₹30,000 at the end of year 1
 ₹40,000 at the end of year 3
 The education fund earns 9% annually.

Question:

What will be the total value of Ritika's education fund at the end of year 5?

5. Answer any one of the following:-

- (5.1) An analyst is evaluating two investment portfolios, Portfolio A and Portfolio B, under three possible economic scenarios. The probabilities of the scenarios are 0.10, 0.25, and 0.65. Portfolio A is expected to generate returns of -25%, 10%, and 7% respectively, while Portfolio B may provide returns of 10%, 15%, and 4%. Analyze their expected returns, individual risks, and how these portfolios move in relation to each other. (CO2, K4) 10
- (5.2) Explain credit risk, market risk, liquidity risk, and operational risk in detail with examples. (CO2, K2) 10

6. Answer any one of the following:-

- (6.1) Discuss the significance of WACC in capital budgeting and investment decisions and solve the following: (CO3, K3) 10
A company has the following capital structure:
- | Source | Amount (₹) | Specific Cost |
|-------------------|------------|---------------|
| Debentures | 12,00,000 | 8% |
| Preference Shares | 6,00,000 | 11% |
| Equity Shares | 18,00,000, | 16% |
| Retained Earnings | 4,00,000, | 15% |
- Calculate the Weighted Average Cost of Capital.
- (6.2) Differentiate between debt financing and equity financing. Which one is more suitable for business expansion? Explain with reasons. (CO3, K4) 10

7. Answer any one of the following:-

- (7.1) Discuss discounted and non-discounted capital budgeting techniques. (CO4, K2) 10
- (7.2) Discount Rate = 12% (CO4, K3) 10
- | Particulars | Project P | Project Q |
|--------------------|-----------|-----------|
| Initial Investment | ₹60,000 | ₹70,000 |
| Estimated Life | 4 years | 4 years |
| Scrap Value | ₹2,500 | ₹3,000 |
- Cash Inflows
- | Year | 1 | 2 | 3 | 4 |
|-----------|--------|--------|--------|--------|
| Project P | 15,000 | 18,000 | 20,000 | 16,000 |
| Project Q | 20,000 | 16,000 | 15,000 | 14,000 |
- Calculate NPV and Profitability Index

8. Answer any one of the following:-

- (8.1) Differentiate between Walter and Gordon dividend approach and solve the following: 10
A company earns ₹16 per share and follows a retention ratio of 50%. If the required rate of return is 12% and return on investment is 16%, calculate the market price per share using Walter's Model. Also explain the theory behind the model. (CO5, K3)
- (8.2) Analyze strategic importance of dividend policy in corporate finance. (CO5, K4) 10