

Roll No.

Total No. of Pages : 03

Total No. of Questions : 17

MBA (Sem.-2)

CORPORATE FINANCE AND POLICY

Subject Code : MBA-206-21

M.Code : 92177

Date of Examination : 05-01-23

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

Write short notes on the following :

1. Role of Finance Manager
2. Future Value
3. Marginal Cost of Capital
4. EPS
5. Operating Leverage
6. Capital Rationing
7. Fluctuating Working Capital
8. Bonus Shares.

SECTION-B

UNIT-I

9. Discuss in detail why wealth maximization objective is superior to profit maximization objective. Give suitable examples to support your answer.

10. Differentiate between capital and money markets. Write a detailed note on various sources of finance available for a company in India.

UNIT-II

11. What is capital structure? Discuss in detail the Net Operating Income, Net Income and Traditional approaches of capital structure.
12. Write a detailed note on various factors determining weighted average cost of capital of a company.

UNIT-III

13. What is financial leverage? Discuss in detail the role of financial leverage in total risk profile of a firm.
14. XYZ Co. Ltd. is evaluating the financial feasibility of following projects and has sought your opinion whether these projects should be accepted if the cost of capital of the firm is 10% p.a. Net Present Value and Profitability Index Methods may be used for evaluating these projects.

Project	Initial Investment	Cash Flow (Rs. in 000)				
		Year 1	Year 2	Year 3	Year 4	Year 5
I	2,50,000	80,000	20,000	1,50,000	80,000	-70,000
II	3,00,000	-10,000	1,50,000	1,20,000	1,45,000	1,55,000

UNIT-IV

15. What is working capital? Write a detailed note on various approaches for determining optimum level of working capital in a company.
16. Briefly discuss Gordon's model for determining dividend policy of a company. Also discuss various factors determining dividend policy of a company in India.

SECTION-C

17. **Case Study**

ABC Co. wishes to arrange overdraft facility with its bankers during the period April to June, 2023 when it will be manufacturing mostly for stock. Prepare a cash budget for the

above period from the following data, indicating the extent of the bank facilities the company with require at the end of the each month:

Month	Sales (Rs.)	Purchases (Rs.)	Wages (Rs.)
February	1,80,000	1,24,800	12,000
March	1,92,000	1,44,000	14,000
April	1,08,000	2,43,000	11,000
. May	1,74,000	2,46,000	10,000
June	1,26,000	2,68,000	15,000

Additional information :

- a) 50% of the credit sales are realized in the month following sales and the remaining 50% in the 2nd month following. Creditors are paid in the month of purchase.
- b) Cash at bank on 1-4-2023 (estimated) Rs. 25,000.

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.