

ADMISSION NUMBER											

School of Business
Master of Business Administration MBA Dual Specialization
Mid Term Examination - May 2024

Duration : 90 Minutes
Max Marks : 50

Sem II - D1PK202T - Corporate Finance

General Instructions
Answer to the specific question asked
Draw neat, labelled diagrams wherever necessary
Approved data hand books are allowed subject to verification by the Invigilator

- 1) Discuss the application of financial theories in determining the optimal capital structure for a corporation. K3 (6)
- 2) Identify the impact of capital rationing on investment decisions and corporate performance. K3 (6)
- 3) Compare and contrast profit maximization and wealth maximization as financial goals. K4 (4)
- 4) Analyze the role of a finance manager in achieving financial goals within a corporation. K4 (4)
- 5) Your Company needs Fund for expansion of business in international market. Compare the cost of debt, preference shares, and equity shares in the context of capital structure decisions and finalize the optimum capital stucture. K4 (8)
- 6) Company DEF is planning to optimize its capital structure by determining the weighted average cost of capital (WACC). Evaluate the factors affecting the cost of debt, preference shares, and equity shares in calculating WACC. Discuss the significance of WACC in investment appraisal and its role in determining the firm's overall cost of capital. K5 (10)
- 7) A choice is to be made between two proposals which require an equal investment of Rs 50,000 each and are expected to generate net cash flows as under- K6 (12)

YEAR	Project A	Project B
Rs	Rs	Rs
1	25,000	10,000
2	15,000	12,000
3	10,000	18,000
4	Nil	25,000
5	12,000	8,000
6	6,000	4,000

The cost of capital of the company is 10%. Which project should be chosen under A] NPV method B] Payback method [Discount factor at 10% are 0.909, 0.826 , 0.751 , 0.621 , 0.683 , 0.564 for 1 to 6 years.