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GIET UNIVERSITY, GUNUPUR – 765022

M. B. A(Second Semester) Examinations, August – 2021

MB205 – Corporate Finance

Time: 2 hrs

Maximum: 50 Marks

(The figures in the right hand margin indicate marks.)

PART – A (2 x 10 = 20 Marks)

Q.1. Answer *ALL* questions

- a. What is Stock Dividend?
- b. Working capital cycle?
- c. How to calculate cost of equity?
- d. What is EOQ?
- e. What is a Public deposit?
- f. Write any two features of preference share?
- g. How to find out value of the Firm?
- h. What is COD?
- i. Receivable Management?
- j. What is Volatility Risk?

PART – B (6 x 5=30 Marks)

Answer ANY FIVE the questions

Marks

- | 2. State the difference between Profit maximisation and Wealth Maximisation? | 6 | | | | | | | | | | | | | | | |
|--|-------------|-----------|-----------|----------------------|-------------|-----|--------------------|-------------|-----|-----------|-------------|----|-------------------|-------------|----|--|
| 3. Explain the Importance of Capital Budgeting? | 6 | | | | | | | | | | | | | | | |
| 4. Find out WACC from the following information. | 6 | | | | | | | | | | | | | | | |
| <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Source</th> <th style="text-align: left;">Amount</th> <th style="text-align: left;">After Tax</th> </tr> </thead> <tbody> <tr> <td>Equity Share Capital</td> <td>Rs 6,00,000</td> <td>15%</td> </tr> <tr> <td>Preference Capital</td> <td>Rs 4,00,000</td> <td>10%</td> </tr> <tr> <td>Debenture</td> <td>Rs 3,00,000</td> <td>8%</td> </tr> <tr> <td>Retained Earnings</td> <td>Rs 2,00,000</td> <td>5%</td> </tr> </tbody> </table> | Source | Amount | After Tax | Equity Share Capital | Rs 6,00,000 | 15% | Preference Capital | Rs 4,00,000 | 10% | Debenture | Rs 3,00,000 | 8% | Retained Earnings | Rs 2,00,000 | 5% | |
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| Equity Share Capital | Rs 6,00,000 | 15% | | | | | | | | | | | | | | |
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| Retained Earnings | Rs 2,00,000 | 5% | | | | | | | | | | | | | | |
| 5. What is Working Capital Management? Explain the different types of Working capital requirement? | 6 | | | | | | | | | | | | | | | |
| 6. What is Leverage? Explain the types of Leverage? | 6 | | | | | | | | | | | | | | | |
| 7. A company issues Rs. 2, 00,000, 15% Debentures of Rs. 100 each. The company is in 40% tax bracket. You are required to compute the cost of debt after tax, if debentures are issued at (i) Par, (ii) 10% discount, and (iii) 10% premium. | 6 | | | | | | | | | | | | | | | |
| 8. Discuss the importance of Combined leverage? | 6 | | | | | | | | | | | | | | | |

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