Seat No.:	Enrolment No.

GUJARAT TECHNOLOGICAL UNVERSITY

MBA SEMESTER-2- EXAMINATION - SUMMER 2020

Subject Code: 4529202 Date:05/11/2020

Subject Name: Corporate Finance(CF)

Time: 10:30 AM TO 1.30 PM Total Marks: 70

Instructions:

- 1. Attempt all questions.
- 2. Make suitable assumptions wherever necessary.
- 3. Figures to the right indicate full marks.
- Q.1 Explain the Following Terms with Examples

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- (a) Annuity & Perpetuity
- (b) Capital Rationing
- (c) Decision Tree Analysis
- (d) Capital Structure
- (e) Operating Cycle
- (f) YTM
- (g) Gross Working Capital & Net Working Capital
- Q.2 (a) What is Credit Management? Explain various credit policy variables

07

(b) Determine the working capital required for ABC Ltd. to Finance a level of activity, which produces and sales 1,80,000 Units of output for a year. The cost structure is as under;

Particu <mark>l</mark> ar Particular	Cost Per Unit (Rs.)
Raw Material	20
Direct Labour	5
Overheads (Including Depreciation of Rs.5)	15
Total Cost	40
Profit	10
Selling Price	50

Additional Information :-

- 1. Minimum desired cash balance is Rs.20,000
- 2. Raw Materials are held in stock for the period of 2 Months
- 3. Work in Progress will approximate to half a month Production, Assume 50% Completion Stage
- 4. Finish goods remain in warehouse for a period of one month
- 5. Suppliers of the materials extended the credit of one month
- 6. The cash sales are 25% of the total sales. Debtors are provided Two month credit
- 7. Time lag for the payment of wages for a month and half a month for the **OR**

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(b) Mr.X deposits Rs.1,00,000 in a Bank which pays 10 percent interest. How much can he withdraw annually for the Period of 15 Years to whittle down the account balance Zero.

Q.3	(a)	Explain the Net Income approach of Capital Structure.	07
	(b)	Vedanta Ltd.'s earnings and dividend have been growing at the rate of 15%.	07
		This growth is expected to continue for 4 years. After that the growth rate will	
		fall to 12% for next 4 years. Thereafter the growth rate is expected to be 6%	
		forever. If the last dividend per share was Rs. 3 and required rate of return is	
		10%, what is the intrinsic value per share?	
		OR	
Q.3	(a)	Give Definition of Dividend. Explain the Walter Model of Dividend Decision	07
	(b)	Unix Ltd.'s Equity Beta is 1.2 and the Market Risk premium is 7 percent.	07
		Risk free rate is 10 percent, Unix has a debt equity ratio of 2:3. Its Pretax cost	
		of debt is 14 percent, if the tax rate is 35%. What is the WACC of Unix Ltd.	
Q.4	(a)	Discuss briefly the various sources of long term finance of Indian Companies	07
7. 7	(b)	What is Leverage? Explain the Types of Leverages	07
	(0)	OR	07
Q.4	(a)	Explain Matching and Aggressive approach of Working capital Financing	07
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	(b)	Explain Miller and Orr model of Cash Management	07
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Q.5 Zenith Industries are thinking to build up a Machinery in the organization, the investment behind this Project is Rs.20,00,000. The Project consisting period of 5 Years utility, Estimated salvage value of the Project is Zero, estimated by the company. Project manager used Straight-line method for depreciation calculation of the project. Tax slab of the Organization is 50%. The expected cash flow before depreciation and taxes of the project are as under;

Year	Estimated Cash flow before depreciation and Taxes (Rs.)
1	Rs.4,00,000
2	Rs.6,00,000
3	Rs.8,00,000
4	Rs.8,00,000
5	Rs.10,00,000

You are Required to determine;

(a)	Net Present Value of the Project, If Cost of Capital is 10%	07		
(b) Workout Discounted Payback period of the Project, If the Cost of Capital				
	12%			
	OR			
(a)	Internal Rate of Return of the Project	07		
(b)	Pay Back Period of the Project	07		
