

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA – SEMESTER -II– EXAMINATION – WINTER 2021

Subject Code: 4529202**Date: 19-02-2022****Subject Name: Corporate Finance****Time: 02:30 PM TO 05:30 PM****Total Marks: 70****Instructions:**

1. Attempt all questions.
2. Make suitable assumptions wherever necessary.
3. Figures to the right indicate full marks.

Q. No.	Question Text and Description	Marks
Q.1	Definitions / terms / explanations / short questions based on concepts of theory/practical (a) Operating Cycle (b) Rule of 72 with Example (c) Combined Leverage (d) Cash Management (e) Zero Coupon Bond (f) Profit Maximization (g) Cost of Equity	14
Q.2	(a) Explain in detail the factors that influence working capital requirements of a business.	07
	(b) Why does money have time value? Explain “compounding” and “discounting” terms in time value of money.	07
	OR	
	(b) What is Pay Back Method? State its Advantages and Limitations in detail.	07
Q.3	(a) The EBIT of Kripa Ltd is Rs. 5,00,000. The company has 10% Debentures of Rs. 20,00,000. The equity capitalization rate is 15%. You are required to calculate: (i) Market value of Equity (ii) Value of the Company (iii) Overall cost of capital.	07
	(b) Write a Short note on Baumol’s Model	07
	OR	
Q.3	(a) From the following data, calculate the MP of a share of ABC Ltd., under (i) Walter’s formula; and (ii) Gordon model. EPS = Rs. 10 DPS = Rs. 6, Ke = 18%, r = 25% Retention ratio (b) = 45%	07
	(b) ‘A debenture is a long term promissory note for raising loan capital’. Discuss giving features of debenture and its pros and cons.	07
Q.4	(a) V.S.M. Ltd. is engaged in large scale retail business. From the following information you are required to forecast their working capital requirements. Projected Annual Sales Rs. 130 lakhs Percentage of net profit on cost of sales 25% Average credit period allowed to debtors 8 weeks. Average credit period allowed by creditors 4 weeks. Average stock carrying 8 weeks (in terms of sales requirements). Add: 10% to computed figures to allow for contingencies.	07
	(b) Explain net income approach (NI) and net operating income (NOI) approach of Capital structure in brief.	07

OR

- Q.4** (a) What is receivables management? How it is important for an organization? **07**
- (b) Discuss various sources of working capital finance **07**

Q.5 The Balance sheet of International Trade Ltd. as on 31st March, 2008 is as under:

Liabilities	Rs (Lakhs)	Assets	Rs (Lakhs)
Equity Share Capital (Rs. 10 per share)	90	Building	150
10% Long term debt	120	Machinery	75
Retained Earnings	30	Stock	50
Current Liabilities	60	Debtors	20
		Cash	5
Total	300	Total	300

The income assets turnover ratio of the company is 3, its fixed operating cost is 1/6 of sales and variable operating cost is 50% of sales. The corporate tax rate is 35%.

- (a) Calculate EPS **07**
- (b) Calculate Operating, Finance and Combined Leverage. **07**
- OR**
- Q.5** (a) Calculate The market price of the share if the P/E multiple is 2.5. **07**
- (b) The level of EBIT if the EPS is (a) Rs. 15 and (b) Rs. 25. **07**
