

Seat No.: _____

Enrolment No. _____

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA – SEMESTER – II - EXAMINATION – SUMMER 2022

Subject Code: 4529202

Date: 30/07/2022

Subject Name: Corporate Finance

Time: 10:30 AM TO 01:30 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	1. Payback period 2. Time Value of Money 3. Net Present Value (NPV) 4. Sinking fund 5. Capital rationing 6. Dividend 7. Financial leverage	14
Q.2	(a) Explain nature and scope of Financial Management.	07
	(b) Mr. Jignesh has borrowed loan amounting to Rs.30,00,000 for 6 years. Bank is charging 12% rate of interest on loan. Calculate the annual installment and prepare loan amortization schedule for 6 years.	07
	OR	
	(b) Discuss the limitations of “Profit Maximization” goal of Finance.	07
Q.3	(a) Sales (1,20,000 units at Rs.5 each) = Rs.6,00,000 Variable cost (Rs.2 per unit) = Rs.2,40,000 Fixed cost = Rs.1,00,000 Interest = Rs.60,000 Calculate Degree of Operating, Financial leverage & Combine leverage.	07
	(b) Explain meaning of working capital. What are the determinants of working capital?	07

OR

- Q.3** (a) Rao Corporation's WACC is 12% and tax 35%. Rao's pre-tax rate is 14% and debt-equity ratio is 1:1. The risk free rate is 11% and market risk premium ($R_m - R_f$) is 8%. What is beta of Rao corporation? **07**
- (b) Discuss various sources of Long-term finance. **07**

- Q.4** (a) Explain meaning of dividend. Also explain factors affecting dividend policy. **07**
- (b) Explain the Net Income (NI) and Net Operating Income (NOI) approaches with graph. **07**

OR

- Q.4** (a) Excel Ltd.'s earnings and dividend have been growing at the rate of 14%. This growth is expected to continue for 4 years. After that the growth rate will fall to 11% for next 4 years. Thereafter the growth rate is expected to be 7% forever. If the last dividend per share was Rs.4 and required rate of return is 10%, what is the intrinsic value per share? **07**
- (b) What is cash management? Discuss motives for holding cash. Also write in brief need for cash management. **07**

Q.5

CASE STUDY:

"Paru lrd" is planning to start a project which produces product for end users. The machine cost Rs.10, 00,000 and has useful life of 5 years. The cash flow after tax (CFAT) of the project is as follows:

Year	CFAT
1	5,50,000
2	3,00,000
3	2,50,000
4	3,00,000
5	2,00,000

- (a) Calculate Pay-back period and NPV @10%. Comment on result. **07**
- (b) Calculate Internal rate of return of the project. **07**

OR

- Q.5** (a) If cost of Project is Rs.11, 00,000 re-calculate Pay-back period and NPV @10% also comment on result. **07**
- (b) Calculate Internal rate of return of project (If cost of project is Rs.11,00,000) **07**
