

Seat No.: _____

Enrolment No. _____

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

Subject Code: 4529202

Date: 15/12/2022

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.1 Explain following terms in brief

14

1. CIBIL Score
2. Soft Capital Rationing
3. Tax Shield
4. Trading on Equity
5. CAPM Model
6. Yield To Call
7. Cash Credit

Q.2 (a) Elaborate the Role and Functions of Financial manager working in big Corporate House with suitable example.

07

Q.2 (b) Ms. Hirva has opened the saving account in SBI Bank and she deposited certain amount in the bank at the end of the year for five years. Bank offers 7% interest rate. Find out the total amount that she will receive after five years. Following are the details of the deposited amount.

07

Years	Amount Rs.
1	10,000
2	12,000
3	14,000
4	15,000
5	16,000

OR

Q.2 (b) Brinda enterprise is selling the 8% Bond for 8 years at par value of Rs. 250. The Maturity value of bond is Rs. 300 and the current market rate is 10%. Compute the price of a Bond.

07

Q.3 (a) Prepare the Marginal Cost Statement of Nityashree Enterprise by using following information.

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Particular	Data
Operating leverage	3:1
Financial Leverage	2:1
Interest Charges per annum	Rs. 12,00,000
Corporate Tax	50%
Profit Volume (P/V) Ratio	40%

- Q.3 (b) A listed Company must pay the dividend to its shareholders. Do you agree with this statement? Justify your answer with suitable points.

OR

- Q.3 (a) Calculate the WACC of Dhairyaa Enterprise by using by Book Value Method. The Capital Structure of the company is as follow. 07

Particular	Amount Rs.
Equity Share (Rs. 10 per Share)	10,00,000
Debenture (Rs. 100 per Debenture)	8,00,000
Preference Share (Rs. 100 per Share)	2,00,000
TOTAL	20,00,000

Additional Information:

- 1 - Debentures are redeemable at par after 20 years with 8% interest rate, 4% Flotation Cost.
- 2 - Preference shares are redeemable at par after 15 years, with 10% dividend rate, 5% Flotation Cost,
- 3 - Next year expected dividend is Rs. 2 with annual growth is of 5%. Current Market Price of equity share is Rs.20.
- 4- Corporate Tax Rate is 50 %

- Q.3 (b) Discuss the Net Income (NI) and Net Operating Income (NOI) approach of capital structure in detail. State the point of difference in NOI as compare to MM Model of Capital Structure. 07

- Q.4 (a) Calculate the operating cycle (In Days) of Reyansh Traders Company by using following information. 07

Particular	Amount Rs.
Raw Material Consumption per annum	8,50,000
Annual Cost of production	15,50,000
Annual Cost of Sales	16,30,000
Annual Sales	20,00,000
Average Value of current Assets Held	
Raw Material	1,44,000
Work-In-Process	88,000
Finished Stock	1,75,000
Debtors	3,50,000

Additional information:

1. The Company gets 45 days credit from its suppliers.
2. All the sales are made on credit basis only.
3. Consider one year equal to 360 Days.

- Q.4 (b) Define Operating Cycle and discuss the factors affecting to the working capital requirement for Restaurant Business. 07

OR

- Q.4 (a) Discuss the Optimum Cash Balance concept under certainty (Baumol's Model) and uncertainty (The Miller-Orr Model). 07

- Q.4 (b) "Before to give credit to any customer the businessmen should verify the complete details of the customer." Justify the statement by discussing the role of credit policy variables in the business. 07

Q.5 Nitya Corporation wants to invest the money either in Project Alpha or Project Beta. The initial investment in is Rs. 1,00,000. Life of Project is 5 years. Following are the details of the estimated Net Cash Flow After Depreciation and Tax (CFAT) of both the projects.

Year	Project Alpha Amt Rs.	Project Beta Amt Rs.
1	40,000	30,000
2	35,000	25,000
3	25,000	25,000
4	20,000	30,000
5	10,000	20,000

- (a) Find out the payback period of both the projects and suggests to the company which Project should be accepted? 07
- (b) If the cost of capital is 10%, calculate the Net Present Value (NPV) of both the projects and suggest whether the Project Beta should be accepted or not? 07

OR

- (a) What will be the discounted payback period of both the projects if the cost of capital is 10%? 07
- (b) If the cost of capital is 10%, calculate the Profitability Index (PI) of both the projects and suggest whether the Project Alpha should be accepted or not? 07
