GUJARAT TECHNOLOGICAL UNIVERSITY
MBA– SEMESTER –II-EXAMINATION – WINTER-2023

Subject Code:4529202   **Date: 16-01-2024**
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.**
4. **Use of simple calculators and non-programmable scientific calculators are permitted.**

Q. No.	Question Text and Description	Marks
Q.1	a) Explain Yield to Maturity (YTM)	14
	b) Explain "compounding" and "discounting" terms in time value of money	
	c) What is the Rule of 72? Explain the rule with example	
	d) State various sources of Long Term of finance available to companies in India.	
	e) Discuss the major functions of the financial system	
	f) Explain Operating Leverage, Financial leverage and Combined leverage	
	g) Define cost of capital. Explain its significance in financial decision making.	

Q.2	(a)	Compare and contrast the wealth maximization and profit maximization goals of financial management	07
	(b)	Par value 2200, Market price 2500, Coupon interest rate 12%, Maturity 5 years. Find Approximate YTM.	07

OR

	(b)	Raj & Co. is borrowing Rs 15 lacs for a period of 5 years at interest rate of 12% repayable in equal installments at the end of each year. Prepare Loan Amortization schedule. (PVIFA value= 3.6048)	07

Q.3	(a)	Explain the irrelevance theory of MM in Dividend Decision	07
	(b)	Fast & Furious Corp. has paid dividend of Rs. 10 last year, Dividend growth is expected to remain constant at 12% every year, if require rate of return is 15% what should be the price of the share?	07

OR

Q.3	(a)	Define working capital. Distinguish between permanent and temporary working capital	07
	(b)	Three Financing plans are available to Zalfabet Inc. which needs Rs. 60,00,000 for expanding its business. Zalfabet wants to maximize EPS. Currently the equity share is selling for Rs. 100 per share. The EBIT resulting from the plant operation is 15,00,000 per year. Zalfabet's marginal tax rate is 50 %. The three financing plans are as follows: Plan A: Use 20,00,000 debt @ 12% Plan B: Use 40,00,000 debt @ 14% Plan C: Use 50,00,000 debt @ 16% Determine the EPS for these three plans and indicate the financing plan which will result in the highest EPS.	07

| Q.4 | (a) | Describe the motives for holding cash. Also define the functions of cash management | 07 |
| | (b) | Calculate WACC from the following data | 07 |

Equity capital   = Rs. 40,00,000
16% Debenture = Rs. 20,00,000
14% Bank Loan = Rs. 40,00,000
Cost of Equity   = 18%, Tax rate for the firm is 30%, Calculate WACC

OR

| Q.4 | (a) | Explain the NI and NOI approach of capital structure with assumptions and graphs. | 07 |
| | (b) | The following cash flows are available from Jagan & Co. | 07 |

Year	Project J
1	10,80,000
2	9,50,000
3	8,80,000
4	7,90,000
5	6,70,000
6	5,60,000
7	4,50,000

Cash outflow is Rs. 32,00,000 for Project J. Calculate Discounted Payback, NPV & Profitability Index for Project J @ 13% Discount Rate

Q.5	Case	The installed capacity of an Zanju Corp. is 8,00,000 units. The actual production and sales is 5,00,000 units. Selling price per unit is Rs. 15 each and variable cost is Rs. 10 per unit. Company has Rs. 40,00,000 Debenture in its capital structure @ 12%.	
	(a)	Compute the Operating Leverage, Financial Leverage and Combine Leverage when Fixed cost is Rs. 10,00,000 (use details of above case of Zanju Corp.)	07
	(b)	NPV and IRR are the techniques of investment decisions. Which technique is superior? Discuss.	07

OR

| Q.5 | (a) | Compute the Operating Leverage, Financial Leverage and Combine Leverage when Fixed cost is 15,00,000 (use details of above case of Zanju Corp.) | 07 |
| | (b) | Explain what do you understand by capital budgeting with a suitable example? | 07 |

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