GL BAJAJ Institute of Management & Research. PGDM Institute
FIND YOUR SPARK
GREATER NOIDA (Approved by A.I.C.T.E., Ministry of HRD, Govt. of India)

Roll No…………

Plot No. 2, Knowledge Park-III, Greater Noida (U.P.) –201306

POST GRADUATE DIPLOMA IN MANAGEMENT (2021-23)
END TERM EXAMINATION (TERM -II)

Subject Name: **Corporate Finance** Time: **02.30 hrs**
Sub. Code: **PG27** Max Marks: **40**

Note:
All questions are compulsory. Section A carries5 marks:5 questions of 1 marks each, Section B carries 15 marks having 3 questions (with internal choice question in each) of 7 marks each and Section C carries 14 marks one Case Study having 2 questions of 7 marks each.

SECTION - A

Attempt all questions. All questions are compulsory. **1×5 = 5 Marks**
Q. 1 (A): What of the two dividend policies, steady dividends or dividends fluctuating with earnings would you recommend? Would your recommendation be different for a new company, which has an existence for ten years?
Q. 1 (B): Differentiate between IRR and MIRR.
Q. 1 (C): Differentiate between Annuity and perpetuity.
Q. 1 (D): Calculate PV value of Rs. 51000/-, after 3 years, discounted at 12%p.a.
Q. 1 (E): Define Optimal Capital Structure.
(Entire Sec A to be assigned one CO-01)

SECTION – B

All questions are compulsory (Each question has an internal choice. Attempt any one (either A or B) from the internal choice) **7 x 3 = 21 Marks**

Q. 2: (A). what is minimum amount which a person should be ready to accept today from a debtor who otherwise has to pay a sum of Rs. 5000 today, Rs. 6000, Rs. 8000, Rs. 9000 and Rs. 10,000 at the end of year 1, 2, 3 and 4 respectively from today? The rate of interest may be taken at 14% CO2

Or

Q. 2: (B). Discuss “Dividend Puzzle”, with reference to Walter’s model. CO2

Q. 3: (A). X co. ltd is considering different plans to finance its total project costs of Rs. 100 lacs. These are:

Rs. In lacs	Plan A	Plan B	Plan C
Equity Share (Rs. 100 per share) 8% Debenture	50 50	34 66	25 75
	100	100	100

Sales for the first three Years of the operations are estimated at Rs. 100 lacs, 125 lacs and 150 lacs and a profit before interest and taxes is forecast to be achieved. Corporate Taxation to be taken at 20%. Compute Earnings per share in each of the alternative plans of financing for the three years and evaluate the proposals. Which Plan to be adopted and Why? CO3

Or

Q. 3: (B). The following information has been extracted from the balance sheet of Fashions Ltd.

	Rs. In lacs
Equity Share Capital 12% Debentures 18% Term Loans **Total**	400 400 1200 **2000**

a) Determine the WACC. Company has been paying dividends at a consistent rate of 20% per annum. Shares and debentures are being traded at par. Tax rate is 20%
b) What difference will it make if the current price of Rs. 100 share is Rs. 160. CO3

Q. 4: (A). "The payback period is more a method of liquidity rather than profitability". Explain with help of an illustration. CO1

Or

Q. 4: (B). Explain EBIT-EPS analysis. What is Indifference level of EBIT? Show Graphically. Explain the reason for Advantage of Debt in Firms capital also. CO1

SECTION - C

Read the case and answer the questions **7×02 = 14 Marks**

Q. 5: Case Study:

Bright Metals Ltd is considering two different investment Proposals A and B. The details are as under:

		Proposal A	Proposal B
Investment Cost		Rs. 9,500	Rs. 20,000
Estimated Income:	Year 1	4,000	8,000
	Year 2	4,000	8,000
	Year 3	4,500	12,000

Questions:

Q. 5: (A). Suggest the most attractive proposal on the basis of the NPV method considering that the future incomes are discounted at 12%.

Q. 5: (B). Also find out the IRR of the two proposals. CO4

Mapping of Questions with Course Learning Outcome

Question Number	**Cos**	**Marks Allocated**
Q. 1: A to E	**CO1**	**05**
Q. 2: Both Parts	**CO2**	**07**
Q. 3: Both Parts	**CO3**	**07**
Q. 4: Both Parts	**CO1**	**07**
Q. 5: Both Parts	**CO4**	**14**

Note: Font: Times New Roman, Font size: 12.