GL BAJAJ
Institute of Management & Research
Greater Noida
FIND YOUR SPARK

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POST GRADUATE DIPLOMA IN MANAGEMENT (2025-27)
END TERM EXAMINATION (TERM -II)

Subject Name: **Corporate Finance**		Time: **02.00 hrs**
Sub. Code: **PG206**		Max Marks: **40**

Note: All questions are compulsory. Section A carries 12 marks: 6 questions of 2 marks each, Section B carries 18 marks having 3 questions (with internal choice question in each) of 6 marks each and Section C carries 10 marks one Case Study having 2 questions of 5 marks each.

Kindly write the all the course outcomes as per your TLEP in the box given below:

S. No.	Course Outcomes (COs)	Bloom's Taxonomy Level
CO-1	Understand the conceptual framework of Corporate Finance to solve business problems and enhance business knowledge.	L2
CO-2	Apply the concept of Time Value of Money across various finance functions and Analyze data-driven decision-making using Excel applications.	L4
CO-3	Analyze the concept of Cost of Capital to assess various sources and means of financing for conventional and sustainable projects.	L4
CO-4	Evaluate long-term investment decisions through Capital Budgeting and Risk Analysis techniques.	L5
CO-5	Apply the principles of short-term investment management to make effective working capital decisions.	L3
CO-6	Evaluate and present projects from a financial management perspective and assess the role of Artificial Intelligence (AI) in data-based decision-making.	L5

SECTION - A

Attempt all questions. All questions are compulsory.   **2×6 = 12 Marks**

Questions	CO	Bloom's Level
Q. 1: (A). How is Corporate Finance different from Accounting? **Q. 1: (B).** Why is wealth maximization considered superior to profit maximization? **Q. 1: (C).** State two causes of agency conflict.	CO1	L2
Q. 1: (D). Differentiate between Annuity and perpetuity **Q. 1: (E).** Explain Loan Amortization schedule **Q. 1: (F).** Explain concept of Sinking Fund	CO2	L2

SECTION – B

All questions are compulsory (Each question has an internal choice. Attempt anyone (either A or B) from the internal choice)   **6 x 3 = 18 Marks**

Questions	CO	Bloom's Level
Q. 2: (A). Mr. Verma, age 40, is planning for his retirement and seeks your advice as a financial consultant. He intends to retire in 20 years and has outlined the following financial goals:	CO2	L4

Mr. Verma wants to build a retirement corpus that will allow him to withdraw Rs 600,000 per year for 18 years, beginning one year after his retirement at age 60. He expects his retirement corpus to grow at an average rate of 7% per year during the withdrawal phase. He currently has Rs 300,000 invested and plans to save Rs 120,000 at the end of every year for the next 20 years. His investments are expected to earn an average return of 9% per year until retirement. Determine whether this future value will be sufficient to meet his retirement fund requirement.

Or

Q. 2: (B). An NBFC is offering personal loan within 24 hours of application, without any documentation. The interest rate charged is 25% with monthly compounding. The borrower has another option, to borrow the required money from a bank at 27% p.A with annual compounding. The borrower feels that the option of borrowing from NBFC is not only convenient but is also cheaper. Is the first option actually cheaper?

Q. 3: (A). As a financial analyst of a large electronics company, you are required to determine the weighted average cost of capital of the company for upcoming investment opportunities. The capital structure is as follows:

Source of Capital	Amount
Debentures (Rs100 per debenture)	Rs 8,00,000
Preference Shares (Rs100 per share)	Rs 2,00,000
Equity Shares (Rs10 per share)	Rs 10,00,000
Retained Earnings	Rs 8,00,000
Total	**Rs 28,00,000**

Capital source specific data is given as follows:
(i)   Rs 100 per debenture redeemable at par, 10-year maturity, 11 percent coupon rate, 4% floatation cost, sales price Rs 100
(ii)   Rs 100 preference share redeemable at par, 10-year maturity, 12 percent dividend rate, 5% floatation cost, sales price Rs 100
(iii)   Equity Shares, 0.5 per share floatation cost, sales price Rs22.5, dividend at the end of the year is Rs2.2 per share, the anticipated growth rate in dividend is 7%. Corporate Tax rate is 25%.

Or

Q. 3: (B). What are the various sources of Capital in the corporate structure of the business? Which source is cheapest and why? Which source is most expensive and why? Explain.

Q. 4: (A). Explain how the nature of business, market conditions and technology affect a firm's working capital requirements.

Or

Q. 4: (B). Under what conditions should working capital be financed by long term or short term funds?

CO3 | L4

CO5 | L3

SECTION - C

Read the case and answer the questions   **5×02 = 10 Marks**

Questions	CO	Bloom's Level
Q. 5: Case Study: A company with 12 % cost of funds and limited investment funds of Rs4,00,000 is evaluating the desirability of several investment proposals.	CO4	L5

Project	Initial Investment (Rs)	Life in years	Year-end Cash Inflow (Rs)
A	3,00,000	2	1,87,600
B	2,00,000	5	66,000
C	2,00,000	3	1,00,000
D	1,00,000	9	20,000
E	3,00,000	10	66,000

Questions:

Q. 5: (A). Rank the projects according to NPV (5 marks)

Q. 5: (B). please answer the following questions:
   (i)   Which project should be selected if the company has Rs5,00,000 as the size of its capital budget? (2 marks)
   (ii) Would you change your recommendation if projects are divisible? (3 marks)

Kindly fill the total marks allocated to each CO's in the table below:

COs	Question No.	Marks Allocated
CO1	1 A-C	6
CO2	**1 D-F and 2**	**12**
CO3	3	6
CO4	5	10
CO5	4	6
CO6	-	-

(Please ensure the conformity of the CO wise marks allocation as per your TLEP.)

Blooms Taxonomy Levels given below for your ready reference:

L1= Remembering
L2= Understanding
L3= Apply
L4= Analyze
L5= Evaluate
L6= Create