

Plot No. 2, Knowledge Park-III, Greater Noida (U.P.) –201306  
**POST GRADUATE DIPLOMA IN MANAGEMENT (2025-27)**  
**MID TERM EXAMINATION (TERM -II)**

Subject Name: **Corporate Finance**

Time: **01.00 hrs**

Sub. Code: **PG206**

Max Marks: **20**

**Note: All questions are compulsory.**

**Read the following case and answer the following questions:**

**10×2 = 20 Marks**

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

**CO1-** Understand the conceptual framework of Corporate Finance to solve business problems and enhance business knowledge.  
**CO2-** Apply the concept of Time Value of Money across various finance functions and Analyze data-driven decision-making using Excel applications.  
**CO3-** Analyze the concept of Cost of Capital to assess various sources and means of financing for conventional and sustainable projects.  
**CO4-** Evaluate long-term investment decisions through Capital Budgeting and Risk Analysis techniques.  
**CO5-** Apply the principles of short-term investment management to make effective working capital decisions.  
**CO6-** Evaluate and present projects from a financial management perspective and assess the role of Artificial Intelligence (AI) in data-based decision-making.

**Read the case and answer the questions**

**Case-1**

Apex Manufacturing Ltd. is a rapidly expanding industrial machinery company. Over the past five years, the company has delegated significant decision-making authority to senior managers across finance, operations and marketing departments. While this decentralization improved operational efficiency initially, recent trends indicate rising conflicts between managerial goals and shareholder expectations.

Managers have increasingly invested in projects that boost departmental image—such as upgrading office interiors, hosting high-budget promotional events and launching product lines with uncertain long-term returns. These actions enhance managerial visibility but do not contribute proportionately to profitability.

Shareholders have raised alarms as Apex’s stock price has underperformed compared to industry competitors. Return on capital employed (ROCE) has dropped from 14% to 9% in two years, while the company’s average cost has increased due to inefficient investment choices. The Board suspects a widening agency problem driven by information asymmetry, moral hazard and misuse of managerial discretion. They are considering various governance improvements—such as performance-linked incentives, independent audits, strategic oversight committees and stricter monitoring mechanisms. However, each solution comes with financial implications and potential resistance from managers.

The Board seeks recommendations to align managerial decisions with the company’s core financial objective: maximizing shareholder wealth in the long run.

**Questions: CO1**

**Q. 1: (A).** Identify and explain the major agency problems depicted in the case. **(5 Marks)**

**Q. 1: (B).** Discuss the role of information asymmetry in the agency problem faced by Apex Manufacturing Ltd. Also, recommend strategies to reduce this asymmetry. **(2+3 Marks)**

**Case-2**

**Ms. Iyer’s Retirement Horizon**

**Ms. Iyer**, a 40-year-old marketing executive, is reviewing her financial portfolio with you. She intends to retire in **20 years** (at age 60). She is worried about inflation and rising healthcare costs, so she has set aggressive targets for her retirement corpus.

**1. Retirement Income Goal:**

Ms. Iyer estimates that she will require an annual income of Rs 12,00,000 to maintain her lifestyle. She anticipates living for 25 years after retirement (until age 85).

- **Withdrawals:** Rs 12,00,000 annually, starting one year after retirement.
- **Post-Retirement Return:** She expects to invest her retirement corpus in safer debt instruments yielding **7%** annually.

**2. Current Savings & Plan:**

Ms. Iyer has already started saving, but she is unsure if it is enough.

- **Existing Corpus (Lump Sum):** She currently has **Rs 5,00,000** invested in a mutual fund.
- **Annual Savings (Annuity):** She plans to save an additional **Rs 1,50,000** at the end of each year for the next 20 years.
- **Pre-Retirement Return:** She expects these investments (both the existing corpus and new savings) to earn an average annual return of **10%** during the accumulation phase.

**Question:**

**CO2**

**Q. 2: (A).** Calculate the total **Future Value** of Ms. Iyer’s investments at the time of her retirement (Age 60). You must account for the growth of her **current lump sum** (Rs 5,00,000) and her **annual savings** (Rs 1,50,000) separately using the 10% pre-retirement return rate. **(5 Marks)**

**Q. 2: (B).** Analyse the relationship between the required corpus and the accumulated assets. First, determine the **Present Value of the Annuity** representing her retirement income goal (Rs 12,00,000/year for 25 years at 7%). Then, compare this 'Target Corpus' against the 'Accumulated Corpus' calculated in Question 1. Does a **surplus** or a **deficit** exist, and what is the magnitude of this gap at Age 60? **(5 Marks)**

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

<b>COs</b>	<b>Blooms Taxonomy</b>	<b>Marks Allocated</b>
CO1	L2	10 Marks
CO2	L4	10 Marks

**Blooms Taxonomy Levels given below for your ready reference:**

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

