Total No. of Questions : 5]

SEAT No :

P 1373

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M.B.A.
FINANCE SPECIALIZATION
FIN - 404 :Corporate Finance
(2013 Pattern) (Semester-IV) (Specialisation - IV)

Time : 2½ Hours] ***[Max. Marks : 50***

Instructions to the candidates:

1) ***There are five questions of 10 marks.***
2) ***All questions are compulsory with internal choice.***
3) ***Figures to the right indicate marks for that question / sub-question.***
4) ***Use of simple calculator's permitted.***

Q1) a) Investment and financing decision increases the value of the firm. Discuss. **[10]**

OR

b) Discuss the nature and scope of Corporate Finance. **[10]**

Q2) a) ABC Ltd's FCFF for the year ending 31st March 2017 is Rs. 28 million. FCFF is expected to grow at a constant rate of 4% for the forseeable future the tax rate is 35%. **[10]**

The companies capital structure consists of

	Rs. in Million
7% Debentures	30
6.8% Preference Shares	20
Equity Shares of Rs. 10 each	50
	100

You are required to compute the value of firm.

OR

P.T.O.

b) The condensed Income statement of PQR Ltd. for the year ending 31st March 2017 is given below:-

		Rs. in crores
Sales		175
Less:- Cost of Goods sold	60	
Administration Expense	6	
Selling Expense	24	
Interest on Debentures	15	105
Earning before Tax		70
Less:- Tax (0.40)		28
Earning after Tax		42

The total capital employed is Rs. 375 crores, of which Rs. 125 crores is through 12% Debentures. The equity capitalization rate is 15%.

Determine the EVA adder during the year. **[10]**

Q3) a) What is Valve Based Management and discuss its needs and benefits. **[10]**

OR

b) Discuss the models of corporate Governance. **[10]**

Q4) a) A limited company has the following capital structure:

Equity share capital (1,00,000 stores)	Rs. 40,00,000
6% preference shares	Rs. 10,00,000
8% Debentures	Rs. 30,00,000
	Rs. 80,00,000

The market price of the company's equity share is Rs. 20. It is expected that company will pay a current dividend of Rs. 2 per share which will grow at 7%. The tax rate may be presumed at 50%.

You are required to compute the following:-

i) Cost of Equity capital of the company.

ii) Determine the market price per equity share if the growth rate.

1) Rises to 10%

2) Falls to 5%

OR

b) X Ltd. paid a dividend of Rs. 4 per share. The company follows a fixed dividend payout ratio of 50%. The company earns a return of 18% on its investments. The cost of capital to the company is 12%.

Determine the expected market price of the share using Walter's Model. **[10]**

Q5) a) Define Capital Restructuring. Discuss the strategies for capital restructuring. **[10]**

OR

b) Write short notes on:- **[10]**

i) Divestment Technique.

ii) Strategies for Restructuring.

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