



BIJU PATNAIK INSTITUTE OF IT & MANAGEMENT STUDIES

2nd SEMESTER (BATCH 2019-21)

CLASS TEST - I

CORPORATE FINANCE (18MBA201)

Total Marks : 30

Time: 1½ Hours

1. Answer all the Questions.

(10x1=10)

2. Answer any two.

(2x5=10)

3. Answer any one.

(1x10=10)



BIJU PATNAIK INSTITUTE OF IT & MANAGEMENT STUDIES

2nd SEMESTER (BATCH 2018-20)

CLASS TEST - II

Corporate Finance (18 MBA 201)

1. Answer all the Questions.

(1x10=10)

- i) A project requiring a Rs. 120 Lakh investment has a profitability index of 0.96. What is its net present value?
- ii) _____ on capital is called 'Cost of capital'.
- iii) Which capital budgeting techniques takes into account the incremental accounting income rather than cash flows?
- iv) A company is considering the following three investment proposals: rank the above investment proposals using profitability index method?
- | a) Investment | Cash inflows | b) Investment | Cash inflows | c) Investment | Cash inflows |
|---------------|--------------|---------------|--------------|---------------|--------------|
| 80,000 | 96,000 | 75,000 | 120,000 | 100,000 | 150,000. |
- v) If present value of total cash outflow is 72,000/- and present value of total cash inflow is 64,000/-, what is the net present value of the project?
- vi) What is IRR method of evaluating investment decision? Mention acceptance rules under this method.
- vii) Why NPV is taken as zero while calculating IRR ?
- viii) Interest rate is 12% and tax savings (1-0.40) then after-tax component cost of debt will be?
- ix) Stock selling price is Rs 45/-, an expected dividend is Rs10/- and an expected growth rate is 8% then cost of common stock would be?
- x) Dividend per share is Rs 18/- and sell it for Rs122/-, floatation cost is Rs 4/- , what will be the cost of share?

2. Answer any two.

(5x2=10)

- a) Assume that a newly formed Corporation ABC needs to raise Rs 10,000,00/- as capital to build its buildings .The company issues 6,000 equity shares at 100/.each and 400 bonds at 1,000 each. The cost of equity and bonds are 6% & 5% respectively. Compute WACC?
- b) What is the decision-criteria for the profitability index? Does this criteria agree with that of the net present value technique?
- c) Make a five point distinction between NPV and IRR?

3. Answer any one.**(10x1=10)**

- a) Describe the relative popularity of the various capital budgeting methods and explain the effects of the NPV on a stock price?
- b) Consider the project with the following expected cash flows:

Year	Cash flow In INR
0	-200000
1	+50000
2	+50000
3	+200000

- i) What is the payback period of the project?
- ii) If the discount rate is 0%, what is the net present value?
- iii) If the discount rate is 5%, what is the net present value?
- iv) What is the internal rate of return of the project?



BIJU PATNAIK INSTITUTE OF IT & MANAGEMENT STUDIES

2nd SEMESTER (BATCH 2017-19)

CLASS TEST - II

FINANCE MANAGEMENT (MNG-203)

Total Marks : 30

Time: 1½ Hours

(Answer as per the instruction given in each question)

Q.1 Explain the following terminology.

- A) Capital Budgeting
- B) Capital rationing
- C) Trading on equity
- D) WACC
- E) Operating leverage
- F) Cost of capital
- G) Hybrid security
- H) Stock Split
- G) Capital structures
- H) MCC

Q.2. Answer any two Questions (5*2) (Short Type)

- A) Explain the difference between NPV and IRR.
- B) X Ltd. Issues Rs. 50,000 8% debentures at par. The tax rate applicable to the company is 50%. Compute the cost of debt capital (after tax).
- C) A company has sales of Rs. 500000, variable cost Rs. 300000 and fixed cost Rs. 100000 and long term loan Rs. 400000 at 10% of interest. Calculate composite leverage.

Q. 3. Answer any one Question. (10*1) (Long Type)

- A. What is capital structures? Explain the factors determining the capital structure of a firm.
- B. Prepare an estimate of working capital requirement from the following information of a trading concern.

a)	Project manual sales	1,00,000 units
b)	Selling price	Rs. 8 per unit
c)	% age of net profit on sales	25%
d)	Average credit period allowed to customers	8 weeks
e)	Average credit period allowed by suppliers	4 weeks
f)	Average stock holding in terms of sales requirement	12 weeks
g)	Allow 10% for contingencies.	



BIJU PATNAIK INSTITUTE OF IT & MANAGEMENT STUDIES

2nd SEMESTER (BATCH 2016-18)

CLASS TEST - II

FINANCIAL MANAGEMENT (MNG-203)

Total Marks : 30

Time: 1½ Hours

(Answer as per the instruction given in each question)

1. Answer all the questions. (1x10=10)

- What is trading on equity?
- What scrip dividend?
- What is optimum capital structure?
- What is meant by cash conversion cycle?
- What is financial flexibility?
- What is stock split?
- What is 'venture capital'?
- What is factoring?
- What are credit terms?
- What is commercial paper?

2. Answer any two from the following questions. (5x2=10)

- Discuss any five factors relevant in determining capital structure.
- AC Ltd. estimates its total cash requirement as Rs 2 crore next year. The company's opportunity cost of funds is 15% p. a. the company will have to incur Rs. 150 per transaction when it converts its short term securities into cash. Determine the optimum cash balance (Use Baumol's Model). How much is the total annual cost of the demand for the optimum cash balance? How many deposits will have to be made during the year?
- Why should inventory be held? Why is inventory management important? Explain the objectives of inventory management

3. What is the importance of working capital for a manufacturing firm? What shall be the repercussions if a firm has (a) paucity of working capital, (b) excess working capital? Briefly explain factors that determine the working capital needs of a firm. (10 Marks)

OR

The following information is available in respect of a firm.

Capitalization rate =10%, EPS = Rs. 50

Assumed return on investments: (i) 12% (ii) 8% (iii) 10%

Show the effect of dividend policy on market price of shares applying Walter's formula when the dividend payout ratio is (a) 0% (b) 20% (c) 40% (d) 80% (e) 100%



BIJU PATNAIK INSTITUTE OF IT & MANAGEMENT STUDIES

2nd SEMESTER (BATCH 2015-17)

CLASS TEST - II

FINANCE MANAGEMENT (MNG-203)

Total Marks : 30

Time: 1½ Hours

(Answer as per the instruction given in each question)

1. Answer all the questions.

[1x10=10]

- a) Discuss how Working capital affects both the liquidity and profitability of a business?
- b) Why Capital budgeting decisions are more important?
- c) What is 'Cash Conversion Cycle - CCC'?
- d) What is cost of trade credit?
- e) What is Profitability index?
- f) What is composite cost of capital?
- g) Is flexible capital structure costly?
- h) What is bird in hand theory?
- i) What is stock split?
- j) What are credit standards?

2. Answer any two of the followings:

[5x2=10]

- (a) What is financial leverage? What are the risks of having both high operating leverage and high financial leverage?
- (b) Explain the various motives of holding cash.
- (c) 'B' Limited decides to liberalize credit to increase sales. The liberalized credit policy will bring additional sales of Rs. 300000. The variable costs will be 60% of sales and there will be 10% risk for non payment and 5% collection costs. Will the company benefit from the new credit policy.

3. The earnings per share of a company are Rs. 8 and the rate of capitalization applicable to the company is 10%. The company has before it an option of adopting a payout ratio of 25% or 50% or 75%. Using Walter's formula of dividend pay out, compute the market value of the company's share if the productivity of retained earnings is (i) 15% (ii) 10% and (iii) 5%

(10 Marks)

OR

Define the term working capital. What factors would you take into consideration in estimating the working capital needs of a concern?

(10 Marks)
