



## BRAINWARE UNIVERSITY

**Term End Examination 2023-2024**  
**Programme – MBA-2022/MBA-2023**  
**Course Name – Corporate Finance**  
**Course Code - MBA207**  
**( Semester II )**

**Full Marks : 60**

**Time : 2:30 Hours**

[The figure in the margin indicates full marks. Candidates are required to give their answers in their own words as far as practicable.]

### Group-A

(Multiple Choice Type Question)

1 x 15=15

1. *Choose the correct alternative from the following :*
- (i) Define 'investment'.
- a) Spending money on daily expenses                      b) Buying a residential house to stay in  
c) Employment of fund on assets to earn return        d) None of the above
- (ii) Identify the primary objective of financial Management.
- a) To maximize cost    b) To minimize risk  
c) To maximize wealth of the owner                      d) To maximize profit
- (iii) Define an annuity.
- a) Equal payments or receipts in equal intervals        b) An irregular payment  
c) Payment of the same amount done in varied intervals    d) Receipts of the same amount in varied intervals
- (iv) Identify the term that indicates shifting from present value to future value.
- a) Compounding    b) Discounting  
c) Capital recovery factor                                      d) Annuity
- (v) Identify the meaning of the term 'Annuity Factor'.
- a) Future value of a series of present cash flows        b) Interest rate applied to future cash flows  
c) Equal payments or receipts in equal intervals        d) Present value of a series of equal periodic future cash flows
- (vi) Indicate the specific trading post assigned to Exchange member.
- a) Commission broker    b) Floor trader  
c) Specialist    d) Dealer
- (vii) Political stability is the major factor concerning \_\_\_\_\_. Select the correct answer.

- a) Exchange risk  
 b) Systematic risk  
 c) Non-systematic risk  
 d) Country risk
- (viii) A project requires an outlay of Rs. 50,000 and yields annual cash inflow of Rs. 12,500 for 7 years. Compute the payback period for the project and choose the correct answer.
- a) 5 years  
 b) 4 years.  
 c) 1 year  
 d) None of these.
- (ix) Select that which objective of wealth maximization takes into consideration:
- a) Risk related to uncertainty of returns  
 b) Timing of expected returns  
 c) Amount of returns expected  
 d) All of the above
- (x) Indicate the price at which the bond is traded in the stock exchange.
- a) Market value  
 b) Face value  
 c) Maturity value  
 d) Redemption value
- (xi) According to CAPM, the correct measure of risk is termed as \_\_\_\_\_. Select the correct answer.
- a) Business risk  
 b) Financial risk  
 c) Beta coefficient  
 d) Systematic risk
- (xii) Value of bond depends on \_\_\_\_\_. Select the correct answer.
- a) The coupon rate.  
 b) Years to maturity.  
 c) Expected yield to maturity.  
 d) All the above
- (xiii) Asset allocation affects the investor's return by \_\_\_\_\_. Select the correct answer.
- a) altering the returns on individual assets.  
 b) weighting the portfolio return by the allocation.  
 c) assuring diversification.  
 d) increasing the investor's use of mutual funds.
- (xiv) In order to determine the expected return of a portfolio, all of the following must be known except \_\_\_\_\_. Select the correct answer.
- a) Probabilities of expected returns of individual assets.  
 b) Weight of each individual asset to total portfolio value.  
 c) Expected return of each individual asset.  
 d) All of the above must be known in order to determine the expected return of a portfolio
- (xv) Bond price will move \_\_\_\_\_ to market interest changes. Select the correct answer.
- a) Inversely  
 b) Positively  
 c) Constant  
 d) Randomly

### Group-B

(Short Answer Type Questions)

3 x 5=15

2. Evaluate the implications of different capital structure theories on financial decision-making. (3)
3. Discuss the risk-return trade-off in working capital management. (3)
4. Choose a capital budgeting strategy for a company considering various factors. (3)
5. Illustrate a cost of capital estimation model for a specific industry. (3)
6. Explain the constant growth dividend discount model. (3)

OR

Distinguish between Present Value and Future Value.

(3)

**Group-C**  
(Long Answer Type Questions)

5 x 6=30

7. State the different aspects of 'Financing Decision'. (5)
8. A company's stock is currently trading at Rs. 50 per share. The most recent dividend paid was Rs. 2 per share, and dividends are expected to grow at a constant rate of 5% per year indefinitely. Estimate the cost of equity. (5)
9. Explain the concept of Internal rate of return method of capital budgeting. (5)
10. Explain the determinants of Working Capital. (5)
11. Differentiate between operating and financial leverages. (5)
12. 'Discounted payback ensures that you don't accept an investment with negative NPV, but it can't stop you from rejecting projects with a positive NPV.' Justify this statement. (5)

**OR**

A company has paid a dividend of Rs. 3 per share for last 20 years and it is expected to continue so in the future. The company's share has been sold for Rs. 33 twenty years ago, and its market price is also Rs. 33. Estimate the cost of the share. (5)

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