



## BRAINWARE UNIVERSITY

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

*Library*  
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398, Ramkrishnapur Road, Barasat  
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**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) Abhay Ltd issues 1,000 preference shares of Rs. 100 per share each at Rs. 95 per share. Calculate the cost of preference share and choose the correct option.
- a) 0.09229999999999999                      b) 0.1053  
c) 0.1052                                        d) None of these.
- (ii) 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.
- (iii) Identify the objective of financial management is:
- a) cost maximization                        b) wealth maximization  
c) assets maximization                      d) Sales maximization
- (iv) Maximisation of shareholders wealth is reflected in \_\_\_\_\_. Select the correct answer.
- a) Sales Maximization                        b) Number of Shareholders  
c) Market Price of Equity Shares        d) None of the above
- (v) Select the correct option that states, return on investment is determined by
- a) Net profit                                    b) Capital employed  
c) Net worth                                    d) Net profit & capital employed
- (vi) Select the correct option that refers to a group of security
- a) Investment                                    b) Portfolio  
c) Security                                        d) Gambling

(vii) 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.

(viii) Shareholder's wealth in a firm is represented by \_\_\_\_\_ of firm's common stock. (Choose the correct option)

- a) face value    b) market price  
c) cost price    d) paid up value

(ix) To increase a given present value, the discount rate should be adjusted \_\_\_\_\_. Choose the correct answer.

- a) upward.    b) downward.  
c) No change.    d) constant.

(x) Define 'investment'.

- a) Net addition to the capital stock                                      b) Persons commitment to buy a flat or house  
c) Employment of fund on assets to earn return                      d) None of the above

(xi) Identify the primary objective of financial Management.

- a) Primary objective of financial Management is-                      b) To minimize risk  
c) To maximize wealth of the owner                                      d) To maximize profit

(xii) Identify one from the following which is not a money market security

- a) Treasury Bill    b) National savings certificates  
c) Certificate of deposits    d) Commercial paper

(xiii) Illustrate the meaning of the statement - Most investors are risk averse.

- a) they will assume more risk only if they are compensated by higher expected return                      b) they will always invest in the investment with the lowest possible risk  
c) they will always invest in the investment with the lowest possible risk                      d) they avoid the stock market due to the high degree of risk

(xiv) Indicate that Net present value is popular method which falls under

- a) Non-discount cash flow method                                      b) Discount cash flow method  
c) Equal within non discount cash flow method                      d) No discount cash flow

(xv) The rate of interest offered by the fixed deposit scheme of a bank for 365 days and above is 12%. Determine the status of Rs. 20000, after two years if it is invested at this point of time?

- a) Rs. 28032    b) Rs. 24048  
c) Rs. 22056    d) Rs. 25088

### Group-B

(Short Answer Type Questions)

3 x 5=15

2. Define the term 'Capital Budgeting'. (3)  
3. Explain the important steps in the capital budgeting process. (3)  
4. Calculate the present value of Rs. 10,000 receivable after 3 years, if the discounting rate is 10%. (3)  
5. Justify the NI approach as the theory of Capital Structure. (3)



6. Distinguish between Profitability Index and Net Present Value. (3)

**OR**

Illustrate in brief the computation of expected rate of return of an asset. (3)

**Group-C**

(Long Answer Type Questions)

5 x 6=30

7. Identify the objectives of capital budgeting. (5)

8. Samco Ltd is evaluating a project whose expected cash flows are as follows: - (5)

Year	Cash Flows
0	-10,00,000
1	1,00,000
2	2,00,000
3	3,00,000
6	4,00,000
5	3,00,000

Evaluate the NPV of the project, if the discount rate is 14% for the entire period.

9. Marino Ltd issued 15 year, 14 percent bonds five years ago. The bond which has a face value of Rs. 100 is currently selling for Rs. 108. Calculate the cost of debt. (5)

10. Explain the factors affecting Cost of Capital. (5)

11. Illustrate the concepts of working capital. (5)

12. Summarize how is the cost of equity calculated using the CAPM? (5)

**OR**

Distinguish between cost of debt capital and cost of preference share capital? (5)

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