Regular/External (60:40)
Batch (2023-2024)

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MASTER OF COMMERCE (M.COM.)

EXAMINATION : DECEMBER - 2023

FIRST SEMESTER

Sub: Corporate Finance (MCA-114)

Date: 07/12/2023 **Total Marks: 60** **Time: 10.00 am to 12.30 pm**

Instructions: 1) All questions are compulsory.
2) Figures to the right indicate full marks.

Q. 1. Answer the following questions. (Attempt any two) **(32)**

1. Explain the Key aspect of Financial Management in detail.
2. Calculate the Compound Interest for the following :
   a)When Principal Rs-6000, Rate =10% per annum and time period is 2 Years.
   b) When Principal Rs-8000, Rate = 2% and tenure period is 2 Years.
3. Explain capital structure and its importance in capital structure.
4. X Ltd. issues 12% Debentures of face value Rs. 100 each and realizes Rs. 95 per Debenture. The Debentures are redeemable after 10 years at a premium of 10%.
   ii) Y. Ltd. issues 14% preference shares of face value Rs. 100 each Rs. 92 per share. The shares are repayable after 12 years at par.
   Note: Both companies are paying income tax at 50%.

Q. 2. Answer the following. (Attempt any one) **(08)**

1. Discuss Capital budgeting Method.
2. Calculate the Compound Interest for the following the following of Akash ltd ,When Principal Rs-12000, Rate =10% per annum and time period is 2 Years
3. State and explain Compound Interest.

Q. 3. Write short notes. (Attempt any two) **(10)**

1. Stock holders
2. Payback period
3. NPV
4. Operation national Leverage

Q. 4. Select the Correct Alternatives (Attempt Any Ten) **(10)**

1. Which of the following is the difference between profit maximization and wealth maximization?
   a) Profit maximization is a short-term goal, while wealth maximization is a long-term goal
   b) Profit maximization is achieved by increasing revenue, while wealth maximization is achieved by increasing the value of the company's shares
   c)) Profit maximization is achieved by minimizing costs, while wealth maximization is achieved by maximizing the return on investment
   d) Profit maximization is achieved by maximizing the company's profits, while wealth maximization is achieved by maximizing the wealth of the shareholders

2. Which of the following is an example of a profit-maximizing decision?

a) A company decides to increase prices in order to increase profits.
b) A company decides to invest in a new product that is expected to be profitable
c) A company decides to lay off employees in order to reduce costs
d) A company decides to donate money to charity

3. The annual percentage rate (APR) is typically lower than the effective annual rate (EAR) because

a) APR ignores compounding frequency
b) APR includes all compounding effects
c) EAR doesn't consider interest rates
d) EAR is a nominal rate

4. In finance, "return" refers to

a) The potential gain or loss from an investment
b) The total amount of money invested
c) The time period for holding an investment
d) The number of assets in a portfolio

5. Diversifiable risk is also known as

a) Systematic risk
b) Market risk
c) Unsystematic risk
d) Total risk

6. Which of the following is NOT a source of long-term funds for a corporation?

a) Equity capital
b) Short-term loans
c) Debenture capital
d) Retained earnings

7. The cost of debenture capital is typically represented by which rate?

a) Coupon rate
b) Dividend rate
c) Yield to maturity (YTM)
d) Market capitalization rate

8. The cost of term loans is generally determined based on

a) Market interest rates
b) Company's dividend history
c) Bond ratings
d) Earnings per share (EPS)

9. What is the cost of retained earnings, assuming there are no flotation costs?

a) Zero
b) Equal to the cost of new equity
c) Equal to the cost of debt
d) Equal to the cost of common stock

10. Which capital budgeting method considers the time value of money and discounts future cash flows to the present value?

a) Payback Period
b) Net Present Value (NPV)
c) Accounting Rate of Return (ARR)
d) Internal Rate of Return (IRR)

11. What is the cost of equity capital derived from the Gordon Growth Model if the expected dividend per share is $3, the growth rate is 5%, and the current stock price is $60?

a) 2.5%
b) 5%
c) 7.5%
d) 10%

12. The weighted average cost of capital (WACC) is used primarily for

a) Evaluating short-term investment opportunities
b) Assessing the cost of equity
c) Discounting cash flows for capital budgeting
d) Calculating dividends per share