**BIRLA INSTITUTE OF TECHNOLOGY, MESRA, RANCHI**
**(END SEMESTER EXAMINATION)**

**CLASS: MBA** **SEMESTER : III**
**BRANCH: MBA** **SESSION : MO/18**

**SUBJECT: MBA3005 CORPORATE FINANCE**

**TIME: 3:00 HRS.** **FULL MARKS: 60**

**INSTRUCTIONS:**
**1. The question paper contains 7 questions each of 12 marks and total 84 marks.**
**2. Candidates may attempt any 5 questions maximum of 60 marks.**
**3. The missing data, if any, may be assumed suitably.**
**4. Before attempting the question paper, be sure that you have got the correct question paper.**
**5. Tables/Data hand book/Graph paper etc. to be supplied to the candidates in the examination hall.**

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Q.1(a) Who are the participants in Financial Market? Describe their role. [6]
Q.1(b) What is meant by new issue market? Explain. [6]

Q.2(a) Is it possible for a firm to have a high current ratio and still find difficulties in paying its current debts? Explain with illustration. [6]
Q.2(b) Extracts from the financial account of XYZ are given below : [6]
Sales amounted to Rs. 3,50,000/- in the first year and Rs. 3,00,000 in the second year. You are required to comment on the solvency position of the firm with the help of accounting ratios.

| | Year – I | | Year - II | |
|---|---|---|---|---|
| | Assets | Liabilities | Assets | Liabilities |
| Stocks | 10,000 | --- | 20,000 | --- |
| Debtors | 30,000 | --- | 30,000 | --- |
| Payment in Advance | 2,000 | --- | --- | --- |
| Cash in Hand | 20,000 | --- | 15,000 | --- |
| Sundry Creditors | --- | 25,000 | --- | 30,000 |
| Acceptances | --- | 15,000 | --- | 12,000 |
| Bank Overdraft | --- | --- | --- | 5,000 |
| | 62,000 | 40,000 | 65,000 | 47,000 |

Q.3(a) "Bond price variability is directly related to the term to maturity". Explain. [6]
Q.3(b) A share is currently selling for Rs. 80/- expected to pay a dividend of Rs. 5/- at the end of the year. It is estimated that the share will sell for Rs. 99/- at the end of the year. Given the current price of Rs. 80/- and the expected dividend of Rs. 5/- what would the price have to be at the end of one year to justify purchase of the share today, if required rate of return were 17%. [6]

Q.4(a) Explain the term capital budgeting. Why is it significant for a firm? [6]
Q.4(b) A machine will cost Rs. One Lakh and will provide annual net cash inflow of Rs. 20,000/-, 30,000/-, 15,000/-, 15,000/-, 30,000/-, 40,000/-, 10,000/- from years 1 through 6. The cost of capital is 15%. Calculate the machine net present value. [6]

Q.5(a) What is Corporate Financing? How is it different from Project Financing? [6]
Q.5(b) How is the risk allocated in project financing? [6]

Q.6 When do merger makes an economic sense? What are the important reasons for merger and acquisition? [12]

Q.7 What is the market to book value? What is its determinant? [12]

**:::::10/12/2018:::::M**