

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

**CLASS: MBA  
BRANCH: MBA**

**SEMESTER : III  
SESSION : MO/19**

**SUBJECT: MT506 CORPORATE FINANCE**

**TIME: 3.00Hrs.**

**FULL MARKS: 50**

**INSTRUCTIONS:**

1. The question paper contains 5 questions each of 10 marks and total 50 marks.
  2. Attempt all questions.
  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) When can there arise a conflict between shareholder's and manager's goal? [5]
- Q.1(b) Is it possible for a firm to have a high current ratio and still find difficulties in paying its current debt? Discuss. [5]
- Q.2(a) "A bond's sensitivity to changes in market interest rate increases at a diminishing rate as the time remaining until its maturity increases." Explain with example. [5]
- Q.2(b) A company is expecting to declare a dividend of Rs. 3.50/- per share during the next year investors forecast a dividend of Rs. 4/- in the year and after that Rs. 4.50/- in the next year. There after it is expected that dividend will grow at 10% per year into an indefinite future. The required rate of return is 20%. Calculate maximum price that an investor should pay for the share. [5]
- Q.3(a) What are the mutually exclusive projects? Explain the conditions when conflict ranking would be given by IRR & NPV to such project. [5]
- Q.3(b) The initial cash outlay of a project is Rs. 5 Lakh and it can generate cash inflow of Rs. 1,90,000, 1,70,000/-, Rs. 1,20,000/- & 1,00,000/- Lakh in year 1 through 4. Calculate projects payback period. [5]
- Q.4(a) When do mergers make economic sense? Explain. [5]
- Q.4(b) What are the problems of post-merger integration? Explain how integration can be achieved. [5]
- Q.5(a) Discuss the various financial goals of a firm in reference to EVA. [5]
- Q.5(b) What are the drivers of EVA (Economic Value Added)? [5]

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