

**BIRLA INSTITUTE OF TECHNOLOGY, MESRA, RANCHI
(END SEMESTER EXAMINATION MO/2022)**

**CLASS: MBA
BRANCH: MBA**

**SEMESTER: III
SESSION: MO/22**

TIME: 03 Hours

SUBJECT: MT506 CORPORATE FINANCE

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. Tables/Data handbook/Graph paper etc., if applicable, will be supplied to the candidates
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- Q.1(a) Is it possible for a firm to have a high current ratio and still find difficulties in paying its current debt? Explain with illustration. (CO-1, BT-2) [5]
- Q.1(b) If a company has \$100,000 of cash and cash equivalent and \$150,000 of current liabilities, then calculate its Cash ratio. Please interpret as an analyst. (CO-1, BT-3) [5]
- Q.2(a) Bond prices vary inversely with changes in market interest rates. Illustrate with example. (CO-2, BT-4) [5]
- Q.2(b) A 4-year corporate bond is issued with a 12% coupon rate at a \$5000 face value. It has a yield to maturity of 10%. According to the bond indenture, coupon payments are payable annually to the investor. Calculate the Price of the bond after four years at maturity or the total cashflow for the investor. (CO-2, BT-3) [5]
- Q.3(a) Discuss the merits and demerits of the time adjusted methods of evaluating the investment projects. (CO-3, BT-4) [5]
- Q.3(b) A Ltd wanted to know their net present value of cash flow if they invest \$1,00,000 today. Their initial investment in the project is \$80,000 for the 3 years of time, and they are expecting the rate of return 10 % yearly. From the above available information, calculate the NPV. (CO-3, BT-3) [5]
- Q.4(a) What leads to the failure of merger or acquisition? How should a company ensure that merger or acquisition is successful? (CO-4, BT-4) [5]
- Q.4(b) Discuss the valuation process of Mergers and Acquisitions. (CO-4, BT-2) [5]
- Q.5(a) Explain the difference between Economic Value Added and Market Value Added. (CO-5, BT-4) [5]
- Q.5(b) Company Trade Mart generated after-tax net profits amounting to \$200,000 in 2018. The amount of capital the company invested was \$2 million (2000,000) at an average cost of capital of 8.5%. Calculate Trade Mart's EVA. (CO-5, BT-3) [5]

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