

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

**CLASS: MBA/PRE-PHD  
BRANCH: MANAGEMENT**

**SEMESTER : III/I  
SESSION : MO/2025**

**SUBJECT: MT506 CORPORATE FINANCE**

**TIME: 3 Hours**

**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)	Explain the meaning, objectives and importance of Ratio Analysis in corporate finance.	[5] 1	2
Q.1(b)	“Common Size Statements and Comparative Financial Statements are important tools for analyzing a company’s financial performance over time.” Explain how percentage and trend analysis are calculated in both Common-Size and Comparative Statements.	[5] 1	4
Q.2(a)	Using the bond pricing theorems, analyze how coupon rate, maturity, and yield interact to determine a bond’s price sensitivity.	[5] 2	5
Q.2(b)	A Company paid dividend of ₹4 per share on its stock during the current year. The earnings and dividend of the company are expected to grow at an annual rate of 8 per cent indefinitely. Investors expect a 14 per cent rate of return on the company’s shares. Calculate the fair price of this company’s share.	[5] 2	3
Q.3(a)	Explain sensitivity analysis in capital budgeting.	[5] 3	2
Q.3(b)	Discuss the methodology of investment decision-making under capital rationing.	[5] 3	5
Q.4(a)	Explain the different types of mergers commonly observed in corporate restructuring, with suitable real or hypothetical examples.	[5] 4	2
Q.4(b)	“Valuation is the cornerstone of any merger or acquisition decision, as it determines the fairness of the deal and the potential for wealth creation.” Discuss the major methods used in evaluating purchase consideration.	[5] 4	5
Q.5(a)	“Economic Value Added (EVA) and Market Value Added (MVA) are important indicators of a company’s ability to create wealth for its shareholders.” Explain.	[5] 5	5
Q.5(b)	ABC Ltd. reported a Net Operating Profit After Tax (NOPAT) of ₹5,00,000 during the financial year 2024-25. The company’s capital employed was ₹40,00,000 and its Weighted Average Cost of Capital (WACC) was 10%. Calculate the Economic Value Added (EVA) of ABC Ltd. and Comment.	[5] 5	3

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