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

CLASS: MBA **SEMESTER : IV**
BRANCH: MBA **SESSION : SP/2023**

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 handbook/Graph paper etc. to be supplied to the candidates in the examination hall.

Q.1(a)	Discuss the meaning and objectives of Corporate Finance.	[5]
Q.1(b)	What do you understand by financial forecasting ? Discuss the techniques used for financial forecasting.	[5]
Q.2(a)	Discuss the various methods of valuation of Corporate Bonds.	[5]
Q.2(b)	A company is paying dividend of Rs.2 per share. The rate of dividend is expected to grow at 8% for two years and then 9% infinitely. If the required rate of return is 15% find the value of equity share. (PVF at 15% for first and second year is .870 and .756)	[5]
Q.3(a)	Discuss the significance of capital budgeting. Describe the steps involved in the process of capital budgeting.	[5]
Q.3(b)	A project costs Rs.15,000 and has a scrap value of Rs.3,000. Its steam of income before depreciation and taxes during first five years is Rs. 3,000, Rs.3,600, Rs.4,200 Rs.4,800 and Rs.6,000. Assuming tax rate at 50% and depreciation on straight line basis, Calculate the average rate of return for the project.	[5]
Q.4(a)	Define MVA and discuss the advantages and limitations of MVA.	[5]
Q.4(b)	The following information is available of A Ltd.	[5]

12% Debt Capital	Rs. 2,000 crores
Equity Capital	Rs. 500 crores
Reserves and Surplus	Rs. 7,500 crores
Capital Employed	Rs. 10,000 crores
Risk free Rate	9%
Beta factor	1.05
Market rate of return	19%
Operating profit before tax	Rs. 2,100 crores
Tax Rate	30%

Calculate the EVA.

Q.5(a)	Discuss the factors which are responsible for a successful merger.	[5]
Q.5(b)	Discuss the various types of mergers and the gains of merger to the seller.	[5]

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