

SVKM's NMIMS
School of Distance Learning

Programme: PGDBM / PGDFM

Academic year : 2012 – 2013

Subject: Corporate Finance

Date: 15.07.2012

Semester : IV

Course: New

Marks 70

Time: 3.00 p.m. to 6.00 p.m.

Instructions:

Candidates should read carefully the instructions printed on the question paper and on the cover of the Answer book, which is provided for their use.

NB:

1. All 4 questions are compulsory.
2. Candidates should attempt questions as per the internal options available.

Q.1. Write Short Notes on any two out of four

(10 Marks)

- a) Operating Cycle
- b) Capital Structure Theories
- c) VED Classification
- d) Cost of Holding Inventories

Q.2. Discuss any two out of five

(10 Marks)

- a) Miller - Orr Model
- b) FSN Classification
- c) Capital Rationing
- d) NPV
- e) Economic Order Quantity

Q.3. Attempt any three out of five

(30 Marks)

a) Mr. A an investor, purchases an equity share of a growing company for Rs. 210/-. He expects the company to pay dividend of Rs. 10.5/- , Rs.11.025/- and Rs. 11.575/- in years 1, 2, and 3 respectively and he expects to sell the shares at a price of Rs.243.10/- at the end of three years.

Determine the growth rate in dividend, calculate current dividend yield, and also calculate the required rate of return of Mr. A on his equity investment.

b) From the following information of VST company compute re- order level, minimum level, maximum level and average stock level. The company uses two components X and Y for manufacturing a product.

Normal Usage – 100 units per week, Minimum usage – 50 units per week

Maximum usage – 150 units per week

Re – order period – Component X: 4 to 10 weeks, Component Y: 2 to 8 weeks

Re– order quantity– Component X: 600 units, Component Y: 900 units

c) Explain Gordon's Model in detail

d) Explain Discounting Cash Flow Techniques.

e) What do you mean by Earning Capitalisations Approach?

Q.4. a) Calculate maximum, minimum and re – order levels of stocks from the following information. (10 Marks)

Maximum consumption – 2,000 units per week

Minimum consumption – 1,500 units per week

Maximum Lead time – 5 weeks,

Minimum lead time – 3 weeks

Re – order Quantity – 1,000 units

b) A company's expected net operating income (EBIT) (10 Marks)
is Rs. 1, 00,000/-. The company has issued Rs. 5, 00,000/- , 10% debentures at Rs.100/- each. The cost of equity is 12.5%. Assuming no taxes, find out the overall cost of capital and the value of the firm according to NI approach.