

SVKM's NMIMS
NMIMS – GLOBAL ACCESS SCHOOL FOR CONTINUING EDUCATION

Programme: PGDBM/PGDFM

Examination: June 2015
Subject: Corporate Finance

Semester: IV
Course : New
Marks : 70
Time: 3.00 p.m. to 6.00 p.m.

Date: 22.06.2015

Instructions:

Answer to each new question to be started on a fresh page
Figures in bracket indicate full marks

- 1. Attempt any 2 out of 4** **(Marks: 2X5=10)**
- a) Amit intends to have a return of Rs 20,000 p.a for perpetuity. The discount rate is 10%, calculate the present value of this perpetuity.
 - b) What is Capital rationing?
 - c) What is spontaneous financing?
 - d) What is Economic Order Quantity?
- 2. Write short notes on any 2 out of 5** **(Marks: 2X5=10)**
- a) "Bird in Hand Argument"
 - b) Capital budgeting
 - c) Venture capital
 - d) Sensitivity Analysis
 - e) Baumol model
- 3. Attempt any 3 out of 5** **(Marks: 3X10=30)**
- a) What are the advantages and disadvantages of internal rate of return method?
 - b) What are the dangers of excessive and inadequate working capital?
 - c) What are the factors influencing the size of investment in receivables?
 - d) What is leverage? Explain the types of leverages.

e) What are the factors affecting the dividend payout policy?

4. Attempt both the questions

(Marks: 2X10=20)

a) A choice is to be made between the two competing proposals which require an equal investment of Rs 50000 and are expected to generate net cash flows as under:

Years	Project A(Rs)	Project B (Rs)
1	25000	10000
2	15000	12000
3	10000	18000
4	Nil	25000
5	12000	8000
6	6000	4000

Cost of capital of the company is 10%. The following are the present value factor at 10 % p.a.

Year	1	2	3	4	5	6
PV Factor at 10%	0.909	0.826	0.751	0.683	0.621	0.564

Which proposal should be selected using NPV method?

b) Determine re-order level, minimum level, maximum level and average stock level.

Normal usage- 100 units per week; Lead time- 4 to 6 weeks

Minimum usage- 50 units per week; Maximum usage- 150 per week

Re-order quantity- 600 units
