

MSc (Fintech) Sem.-1 Examination

FTMSC-04

Corporate Finance

Time : 2-30 Hours]

February-2025

[Max. Marks : 70

Instructions:

- Figures to the right indicate Full Marks.
- Do not write anything on the question paper.
- Simple calculator is allowed. Do not use a scientific calculator.

Q.1 A.	Write a detail note major corporate financial needs in today's era with suitable practical example.	(14)																
OR																		
Q.1 A.	Define Corporate Finance with its components and regulation with suitable practical example.	(14)																
Q.2 A.	The rate of return from investment proposal A and B as well as probability for such return from different situations are given below. Find out the expected rate of return of return from the proposal with explaining the concept of risk and return along with determination of different methods.	(14)																
	<table border="1"> <thead> <tr> <th>Situation</th> <th>Probability</th> <th>Rate of return from Proposal - A</th> <th>Rate of return from Proposal - B</th> </tr> </thead> <tbody> <tr> <td>Pessimistic Situation</td> <td>0.30</td> <td>10%</td> <td>14%</td> </tr> <tr> <td>Mostly likely Situation</td> <td>0.60</td> <td>17%</td> <td>18%</td> </tr> <tr> <td>Optimistic Situation</td> <td>0.10</td> <td>27%</td> <td>28%</td> </tr> </tbody> </table>	Situation	Probability	Rate of return from Proposal - A	Rate of return from Proposal - B	Pessimistic Situation	0.30	10%	14%	Mostly likely Situation	0.60	17%	18%	Optimistic Situation	0.10	27%	28%	
Situation	Probability	Rate of return from Proposal - A	Rate of return from Proposal - B															
Pessimistic Situation	0.30	10%	14%															
Mostly likely Situation	0.60	17%	18%															
Optimistic Situation	0.10	27%	28%															
OR																		
Q.2 A.	A Company has declared and paid current dividend of Rs.6, which will grow at 20%. The expected rate of return on equity shares is 15%. Calculate the current market price of Equity shares along with discuss H-model of valuation of equity.	(14)																

(P.T.O)

Q.3 A.	Discuss capital budgeting along with traditional techniques with suitable practical example.	(14)																												
	OR																													
Q.3 A.	Vinod Ltd. Is considering the purchase of a new plant which will carry out some operations performed by labour. There are two options available: Plant 'A' and Plant 'B'. From the following information you are required to prepare a profitability statement and work out the pay-back period and return on original investment in respect of each plant:	(14)																												
	<table border="1"> <thead> <tr> <th>Particulars</th> <th>Plant 'A'</th> <th>Plant 'B'</th> </tr> </thead> <tbody> <tr> <td>Estimated life of plant</td> <td>10 yrs</td> <td>12 yrs</td> </tr> <tr> <td>Cost of Plant</td> <td>Rs. 3,00,000</td> <td>Rs. 5,00,000</td> </tr> <tr> <td>Cost of Indirect materials</td> <td>Rs. 6,000</td> <td>Rs. 8,000</td> </tr> <tr> <td>Estimated savings in scrap</td> <td>Rs. 10,000</td> <td>Rs. 15,000</td> </tr> <tr> <td>No. of employees not required</td> <td>150</td> <td>200</td> </tr> <tr> <td>Wages per employee</td> <td>600</td> <td>600</td> </tr> <tr> <td>Taxation</td> <td>50%</td> <td>-</td> </tr> </tbody> </table>	Particulars	Plant 'A'	Plant 'B'	Estimated life of plant	10 yrs	12 yrs	Cost of Plant	Rs. 3,00,000	Rs. 5,00,000	Cost of Indirect materials	Rs. 6,000	Rs. 8,000	Estimated savings in scrap	Rs. 10,000	Rs. 15,000	No. of employees not required	150	200	Wages per employee	600	600	Taxation	50%	-					
Particulars	Plant 'A'	Plant 'B'																												
Estimated life of plant	10 yrs	12 yrs																												
Cost of Plant	Rs. 3,00,000	Rs. 5,00,000																												
Cost of Indirect materials	Rs. 6,000	Rs. 8,000																												
Estimated savings in scrap	Rs. 10,000	Rs. 15,000																												
No. of employees not required	150	200																												
Wages per employee	600	600																												
Taxation	50%	-																												
	Ignore depreciation for the purpose of calculation of tax.																													
Q.4 A.	Define dividend and discuss in detail its different policies with suitable practical example.	(14)																												
	OR																													
Q.4 A.	During the year 2023-2024 Rudri Pvt. Ltd. Sales is Rs. 20,00,000, Fixed expense are Rs. 4,00,000, while variable expenses are 50% of sales. Income tax rate 50%. The balance sheet of the company as on 31-3-2024 is as follows:	(14)																												
	<table border="1"> <thead> <tr> <th>Liability</th> <th>Rs.</th> <th>Assets</th> <th>Rs.</th> </tr> </thead> <tbody> <tr> <td>Equity capital (Rs. 10 each)</td> <td>1,00,000</td> <td>Fixed assets</td> <td>2,00,000</td> </tr> <tr> <td>Reserves</td> <td>50,000</td> <td>Currents assets</td> <td>1,00,000</td> </tr> <tr> <td>10% preference capital (Rs. 100 each)</td> <td>50,000</td> <td></td> <td></td> </tr> <tr> <td>10% debentures (Rs. 100 each)</td> <td>50,000</td> <td></td> <td></td> </tr> <tr> <td>Current liability</td> <td>50,000</td> <td></td> <td></td> </tr> <tr> <td></td> <td>3,00,000</td> <td></td> <td>3,00,000</td> </tr> </tbody> </table>	Liability	Rs.	Assets	Rs.	Equity capital (Rs. 10 each)	1,00,000	Fixed assets	2,00,000	Reserves	50,000	Currents assets	1,00,000	10% preference capital (Rs. 100 each)	50,000			10% debentures (Rs. 100 each)	50,000			Current liability	50,000				3,00,000		3,00,000	
Liability	Rs.	Assets	Rs.																											
Equity capital (Rs. 10 each)	1,00,000	Fixed assets	2,00,000																											
Reserves	50,000	Currents assets	1,00,000																											
10% preference capital (Rs. 100 each)	50,000																													
10% debentures (Rs. 100 each)	50,000																													
Current liability	50,000																													
	3,00,000		3,00,000																											
	From the above information, calculate operating leverage, financial leverage and combined leverage.																													

Q.5	Give answers of following questions (Any 7 from 10) <ol style="list-style-type: none">1. Define scope of corporate finance.2. State any two importance of corporate finance.3. Define Risk.4. Define methods for measurement of risk.5. What is CAPM Model and what are its assumptions.6. Define Cost capital.7. Define capital structure.8. What are various approaches to capital structure.9. Distinguish NPV and IRR.10. What are the techniques of dealing with risk?	(14)
-----	---	------