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1505E653

Candidate's Seat No : _____

**PGDM in FM Sem.-2 (E) Examination
Corporate Finance**

Time : 2-30 Hours]

May-2025

[Max. Marks : 70

Q.1 What are the steps involved in a venture capital investment process? Explain them briefly. (14)

Q.2 Rahul Corporation has a net operating income of Rs.50 million. Rahul Corporation employs Rs.200 million of debt capital carrying 12 percent interest charge. The equity capitalization rate applicable to Rahul Corp. is 14 percent. What is the market value of Rahul Corporation under the net income method? Assume there is no tax. (14)

OR

Q.2 AYDIN Limited requires Rs. 200 crore of external financing, for which it is considering two alternatives: Alternative A: Issue of 1.6 crore equity shares of Rs 10 par at Rs. 125 each. Alternative B: Issue of Rs.200 crore of debentures carrying an 8 percent interest rate. What is the EPS-EBIT indifference point? (14)

Q.3 Raja Rani Ltd. has a risk capitalization of 10%, currently its 10,000 outstanding shares are trading at INR 100/- per share. The firm is planning to declare a dividend per share of INR 5/- at the end of the current financial year. It expects to have net a income of INR 1lac and has a new proposal of making new investment of INR 2 lac. Calculate the value of the firm when the (i) dividend is paid & (ii) If dividend is not paid. (14)

OR

Q.3 What is the dividend irrelevance hypothesis? Critically evaluate the assumptions set by MM. (14)

Q.4 You have been asked to prepare a cash budget for the next quarter, January through March, for Srinagar Exports. They have provided you with the following information: (14)

a. Sales are expected to be: Rs.300,000 in January, Rs.260,000 in February, and Rs.350,000 in March. All sales will be in cash.

b. The estimated purchases are, Rs.240,000 in January, Rs.220,000 in February, and Rs.250,000 in March. Payments for purchases will be made after a lag of one month. Outstanding on account of purchases in December last are Rs.210,000.

c. The rent per month is Rs.8,000 and the partners' personal withdrawal per month is Rs.12,000.

d. Salaries and other expenses, payable in cash, are expected to be: Rs.15,000 in January, Rs.15,000 in February, and Rs.16,000 in March.

e. They plan to buy two computers worth Rs.50,000 on cash payment in March.

f. The cash balance at present is Rs.12,000. Their target cash balance, however, is Rs.20,000. What will be the surplus/ deficit of cash in relation to their target cash balance?

OR

(P.T.O)

E653-2

- Q.4** Shehzin Limited is considering relaxing its collection efforts. Presently, its sales are Rs.70 million, its average collection period 20 days, its variable costs to sales ratio 0.60, its cost of capital 16 percent, and its bad debt ratio 0.05. The relaxation in collection efforts is expected to push sales up by Rs.10 million, increase the average collection period to 30 days, and raise the bad debts ratio to 0.08. The tax rate of the firm is 35 percent. What will be the effect of relaxing the collection effort on the residual income of the firm? (14)
- Q.5** (A) Discuss what is so special about International Finance. (07)
(B) A forex trader noticed that the USD/EUR spot rate is 1.3960. Similarly, the CHF/USD spot rate is 0.9587. Calculate the spot CHF/EUR cross-rate. (07)

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