

**GUJARAT TECHNOLOGICAL UNIVERSITY****MBA SEMESTER-2- EXAMINATION – SUMMER 2020****Subject Code: 4529202****Date:05/11/2020****Subject Name: Corporate Finance(CF)****Time: 10:30 AM TO 1.30 PM****Total Marks: 70****Instructions:**

1. Attempt all questions.
2. Make suitable assumptions wherever necessary.
3. Figures to the right indicate full marks.

**Q.1** Explain the Following Terms with Examples**14**

- (a) Annuity & Perpetuity
- (b) Capital Rationing
- (c) Decision Tree Analysis
- (d) Capital Structure
- (e) Operating Cycle
- (f) YTM
- (g) Gross Working Capital & Net Working Capital

**Q.2 (a)** What is Credit Management? Explain various credit policy variables**07**

- (b)** Determine the working capital required for ABC Ltd. to Finance a level of activity, which produces and sales 1,80,000 Units of output for a year. The cost structure is as under;

**07**

Particular	Cost Per Unit (Rs.)
Raw Material	20
Direct Labour	5
Overheads (Including Depreciation of Rs.5)	15
<b>Total Cost</b>	<b>40</b>
Profit	10
<b>Selling Price</b>	<b>50</b>

**Additional Information :-**

1. Minimum desired cash balance is Rs.20,000
2. Raw Materials are held in stock for the period of 2 Months
3. Work in Progress will approximate to half a month Production, Assume 50% Completion Stage
4. Finish goods remain in warehouse for a period of one month
5. Suppliers of the materials extended the credit of one month
6. The cash sales are 25% of the total sales. Debtors are provided Two month credit
7. Time lag for the payment of wages for a month and half a month for the

**OR**

- (b)** Mr.X deposits Rs.1,00,000 in a Bank which pays 10 percent interest. How much can he withdraw annually for the Period of 15 Years to whittle down the account balance Zero.

**07**

- Q.3 (a)** Explain the Net Income approach of Capital Structure. **07**  
**(b)** Vedanta Ltd.'s earnings and dividend have been growing at the rate of 15%. **07**  
 This growth is expected to continue for 4 years. After that the growth rate will fall to 12% for next 4 years. Thereafter the growth rate is expected to be 6% forever. If the last dividend per share was Rs. 3 and required rate of return is 10%, what is the intrinsic value per share?

**OR**

- Q.3 (a)** Give Definition of Dividend. Explain the Walter Model of Dividend Decision **07**  
**(b)** Unix Ltd.'s Equity Beta is 1.2 and the Market Risk premium is 7 percent. **07**  
 Risk free rate is 10 percent, Unix has a debt equity ratio of 2:3. Its Pretax cost of debt is 14 percent, if the tax rate is 35%. What is the WACC of Unix Ltd.

- Q.4 (a)** Discuss briefly the various sources of long term finance of Indian Companies **07**  
**(b)** What is Leverage? Explain the Types of Leverages **07**

**OR**

- Q.4 (a)** Explain Matching and Aggressive approach of Working capital Financing policies **07**  
**(b)** Explain Miller and Orr model of Cash Management **07**

- Q.5** Zenith Industries are thinking to build up a Machinery in the organization, the investment behind this Project is Rs.20,00,000. The Project consisting period of 5 Years utility, Estimated salvage value of the Project is Zero, estimated by the company. Project manager used Straight-line method for depreciation calculation of the project. Tax slab of the Organization is 50%.The expected cash flow before depreciation and taxes of the project are as under;

Year	Estimated Cash flow before depreciation and Taxes (Rs.)
1	Rs.4,00,000
2	Rs.6,00,000
3	Rs.8,00,000
4	Rs.8,00,000
5	Rs.10,00,000

You are Required to determine;

- (a)** Net Present Value of the Project, If Cost of Capital is 10% **07**  
**(b)** Workout Discounted Payback period of the Project, If the Cost of Capital is 12% **07**

**OR**

- (a)** Internal Rate of Return of the Project **07**  
**(b)** Pay Back Period of the Project **07**

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