Roll No. Total No. of Pages : 02

Total No. of Questions : 17

MBA (2018 Batch) (Sem.–2)

CORPORATE FINANCE AND INDIAN FINANCIAL SYSTEM

Subject Code : MBA-206-18

M.Code : 76158

Time : 3 Hrs. **Max. Marks : 60**

INSTRUCTIONS TO CANDIDATES :

1. SECTION-A contains EIGHT questions carrying TWO marks each and students has to attempt ALL questions.
2. SECTION-B consists of FOUR Subsections : Units-I, II, III & IV. Each Subsection contains TWO questions each carrying EIGHT marks each and student has to attempt any ONE question from each Subsection.
3. SECTION-C is COMPULSORY and consist of ONE Case Study carrying TWELVE marks.

SECTION-A

Write briefly :

1) GDR
2) Time Value of Money
3) Interim Dividend
4) Permanent Working Capital
5) Business Risk
6) Aging of receivables
7) Trade Credit
8) NBFC

SECTION-B

UNIT-I

9) "*The whole of financial management revolves around risk-return trade-offs*". Explain the statement in light of the various decision making areas of financial management.

10) What is Financial Management? Describe the principles and objectives of sound financial planning.

UNIT-II

11) What are the principles followed in estimating the cash flows in capital budgeting? Explain the process of capital budgeting?

12) What is optimal capital structure? Explain the MM hypothesis and the arbitrage mechanism to support MM hypothesis of capital structure.

UNIT-III

13) What are the various factors to be kept in mind while framing dividend policy?

14) What is working capital management all about? Explain the determinants of working capital.

UNIT-IV

15) What are the various components of Indian financial system? Critically examine the role played by the financial system in the development of the economy.

16) Describe the developments which have made Indian financial system more robust after 1991.

SECTION-C

17) *"A business that doesn't grow dies"*, says Mr. Shah, the owner of Shah Marble Ltd. with glorious 36 months of its grand success having a capital base of Rs. 80 crores. Within a short span of time, the company could generate cash flow which not only covered fixed cash payment obligations but also create sufficient buffer. The company is on the growth path and a new breed of consumers is eager to buy the Italian marble sold by Shah Marble Ltd. To meet the increasing demand, Mr. Shah decided to expand his business by acquiring a mine. This required an investment of Rs.120 crores. To seek advice in this matter, he called his financial advisor Mr. Seth who advised him about the judicious mix of equity (40%) and Debt (60%). Mr. Seth also suggested him to take loan from a financial institution as the cost of raising funds from financial institutions is low. Though this will increase the financial risk but will also raise the return to equity shareholders. He also apprised him that issue of debt will not dilute the control of equity shareholders. At the same time, the interest on loan is a tax deductible expense for computation of tax liability. After due deliberations with Mr. Seth, Mr. Shah decided to raise funds from a financial institution.

    (a) Identify and explain the concept of Financial Management as advised by Mr. Seth in the above situation.

    (b) State the four factors affecting the concept as identified in part (a) above which have been discussed between Mr. Shah and Mr. Seth

NOTE : Disclosure of Identity by writing Mobile No. or Making of passing request on any page of Answer Sheet will lead to UMC against the Student.