Roll No…………

GL BAJAJ
Institute of Management & Research, PGDM Institute
Greater Noida
FIND YOUR SPARK

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POST GRADUATE DIPLOMA IN MANAGEMENT (2023-25)
END TERM EXAMINATION (TERM -II)

Subject Name: **Corporate Finance**	Time: **02.00 hrs**
Sub. Code: **PG26**	Max Marks: **40**

Note:
All questions are compulsory. Section A carries 5 marks: 5 questions of 1 marks each, Section B carries 21 marks having 3 questions (with internal choice question in each) of 7 marks each and Section C carries 14 marks one Case Study having 2 questions of 7 marks each.

SECTION - A

Attempt all questions. All questions are compulsory. **1×5 = 5 Marks**

Questions	CO	Bloom's Level
Q. 1: (A). How agency problem can negatively impact the interests of shareholders and other stakeholders in a corporation? **Q. 1: (B).** Which form of financing, Bonds or Equity, tends to incur lower costs, and what are the reasons behind this? **Q. 1: (C).** What are the key functions of financial management? **Q. 1: (D).** What is the primary difference between profit maximization and wealth maximization as objectives of financial management, and which one is more aligned with the long-term success of a corporation? **Q. 1: (E).** Discuss the implications of inadequate financial management in a corporation and how it can impact the overall health and performance of the organization?	CO-1	L-3

SECTION – B

All questions are compulsory (Each question have an internal choice. Attempt any one (either A or B) from the internal choice) **7 x 3 = 21 Marks**

Questions	CO	Bloom's Level
Q. 2: (A). ABC Corporation wants to determine its Cost of Debt. The company has issued 5 years bonds with a face value of Rs 1,000 each, a coupon rate of 6% per annum, and issue price of Rs 950. The company is in a 25% tax bracket. Calculate the Cost of Debt for ABC Corporation.	CO-3	L-3
Or		
Q. 2: (B). Explain the concept of the Weighted Average Cost of Capital (WACC) and its significance in financial decision-making for a company. How is WACC calculated, and why is it important to consider when evaluating investment opportunities? Provide an example to illustrate its application in capital budgeting.	CO-3	L-4
Q. 3: (A). A manufacturing company is evaluating a potential expansion project. The projects are mutually exclusive. The initial investment for both projects is Rs 5,00,000. The duration of Project A spans five years, while Project B spans four years, and neither project has any salvage value. The expected cash flows for the projects over the years are as follows:	CO-3	L-3

Cashflow	Project-A	Project-B
Initial Investment- C0	5,00,000	5,00,000
Cash inflow in Year-1	1,00,000	3,00,000
Cash inflow in Year-2	2,00,000	2,00,000
Cash inflow in Year-3	3,00,000	2,00,000
Cash inflow in Year-4	2,00,000	1,00,000
Cash inflow in Year-5	1,00,000	

If the cost of capital is 12 percent per annum. Calculate the NPV and IRR of both projects. Which projects should be chosen and why?

Or

Q. 3: (B). Imagine you are a financial manager of a large corporation looking to invest in a major capital project. Describe in detail the factors and considerations you would take into account when choosing between different Capital Budgeting techniques such as Net Present Value (NPV), Internal Rate of Return (IRR), and Payback Period. Discuss the strengths and weaknesses of each method and explain how you would prioritize and justify your choice based on the company's financial goals and risk tolerance

CO-3 L-4

Q. 4: (A). Imagine you are a financial analyst tasked with assessing the working capital management of a manufacturing company. The company has experienced fluctuating sales and is considering extending its credit terms to customers to boost sales. Discuss the potential impact of this decision on the company's working capital, liquidity, and overall financial health. Provide a detailed analysis and recommend a course of action based on your findings, considering the risks and benefits.

CO-4 L-2

Or

Q. 4: (B). Compare and contrast the concepts of Gross Working Capital and Net Working Capital in the context of financial management. Explain the significance of each measure, provide examples of situations where they differ, and discuss how these metrics can influence a company's financial decisions and overall health.

CO-4 L-2

SECTION – C

Read the case and answer the questions **7×02 = 14 Marks**

Questions	**CO**	**Bloom's Level**
Q. 5: Case Study: As an investment advisor, you have been approached by a client called Sandro, who wants some help in investment related matters. Sandro is currently 50 years old and has Rs 20,00,000 in the bank. He plans to work for 10 more years and retire at the age of 60.	CO-2	L-6

Sandro's present salary is Rs 12,00,000 per year. Sandro has decided to invest his bank balance and future savings in a portfolio in which stocks and bond would be equally weighted. For the sake of simplicity, assume that these proportion will be maintained by him throughout. He also believes that bonds would provide a return of 6 percent and stocks a return of 12 percent. You concur with his assessment. Once Sandro retires at the age of 60 he would like to withdraw Rs 15,00,000 per year from his investments for the following 10 years as he expects to live up to the age of 70 years. **Questions:** Q-5 (A): How much money would he need 10 years from now? Q- 5 (B): How much should Sandro save each year for the next 10 years to be able to meet his investment objectives spelt out above? Assume that the savings will occur at the end of each year and the discount rate is 6 percent.		

Kindly fill the total marks allocated to each CO's in the table below:

COs	Marks Allocated
CO1	5 Marks
CO2	7 Marks
CO3	14 Marks
CO4	14 Marks

(Please ensure the conformity of the CO wise marks allocation as per your TLEP.)

Blooms Taxonomy Levels given below for your ready reference:

L1= Remembering
L2= Understanding
L3= Apply
L4= Analyze
L5= Evaluate
L6= Create