

PGDM RM, (2016-18)
Corporate Finance
Paper Code RM - 204

Trimester – II, End-Term Examination: December 2016

Time allowed: 2 Hrs 30 Min

Max Marks: 50

Roll No: _____

Instruction: Students are required to write Roll No on every page of the question paper, writing anything except the Roll No will be treated as **Unfair Means**. All other instructions on the reverse of Admit Card should be followed meticulously.

Sections	No. of Questions to attempt	Marks	Marks
A	3 out of 5 (Short Questions)	5 Marks each	$3 \times 5 = 15$
B	2 out of 3 (Long Questions)	10 Marks each	$2 \times 10 = 20$
C	Compulsory Case Study	15 Marks	15
		Total Marks	50

Section A

1. What are the determinants of capital structure of a company?
2. State the decisions involved in Financial management.
3. What do you mean by floatation cost?
4. A project which costs Rs.1,20,000 is expected to yield total earnings after depreciation and tax of 60,000 over 3 years. The scrap value of the project after 3 years has been calculated at Rs.20,000. Calculate the average return of investment
5. Financial Management is more than procurement of funds. Comment.

Section B

1. The Magic Co. has sales this year of Rs 1000, variable costs account for 10% of revenues. It has fixed costs of Rs 600, interest expense of Rs 100 and a tax rate of 40%. The company currently has 100 shares outstanding. The expected growth rate for revenues is 20%.
(a) What is the operating income, profit before tax, earnings, EPS, DOL, DFL and DCL for alternative plans:
 1. the company is unlevered and does not pay interests,
 2. the company is levered.

2 Cash flows for two mutually exclusive projects are shown below:

Year	CF _M	CF _N
0	(100)	(100)
1	10	70
2	60	50
3	80	20

Both projects have a cost of capital of 10%.

- Calculate the payback for both projects.
- Calculate the NPV for both projects.
- Calculate the IRR for both projects.

3) What do you mean by the working capital management ?What are the elements of working capital management?

Section C

Compulsory Case

The following information is extracted from the records of the company

Production Cost Sheet	Rs per Unit
Raw Material	45
Direct Labour	20
Overhead	40
Total	105
Profit	15
Selling Price	120

Raw materials are in stock on an average of two months.

The materials are in process on an average for 4 weeks. The degree of completion is 50%.

Finished goods stock on an average is for one month.

Time lag in payment of wages and overheads is 4 weeks.

Time lag in receipt of proceeds from debtors is 1 months.

Credit allowed by suppliers is one month.

20% of the output is sold against cash.

The company expects to keep a Cash balance of 1,00,000.

Take 52 weeks per annum

The Company is poised for a manufacture of 1,44,000 units in the year.

You are required to prepare a statement showing the Working Capital requirements of the Company.

