



**MBA**  
**(SEM II) THEORY EXAMINATION 2023-24**  
**FINANCIAL MANAGEMENT AND CORPORATE FINANCE**

TIME: 3 HRS

M.MARKS: 100

and Y are available each costing Rs. 5,000. Earnings after taxation and depreciation based on fixed installment system are expected to be as follows:

Year	Cash Flow	
	Machine A	Machine B
	Rs.	Rs.
1	500	200
2	1,000	300
3	1,500	1,000
4	400	2,000
5	100	1,000

You are requested to advise the management to compare both the alternatives and decide to choose a machine, according to Net Present Value Method. A discount rate of 10% is to be used.

5. Attempt any one part of the following: 10\*1 = 10

- (a) Define capital structure and explain its importance in financial decision-making. Discuss the factors that influence a company's choice of capital structure. 10
- (b) Define financial leverage, operating leverage, and combined leverage. Explain how each type of leverage affects a company's financial performance and risk profile.

Attempt any one part of the following: 10\*1 = 10

- Discuss the Determinants of Dividend Policy. <https://www.aktuonline.com>
- (b) A company belongs to a risk class for which the appropriate rate of capitalization is 10%. The total number of equity shares is 30,000. The current market price of an equity share is Rs.80. The company is thinking to declare a dividend of Rs.4 per share at the end of the current year. The company expects to have a net income of Rs.3,00,000. It has a proposal to make an investment of Rs.6,00,000 in new proposals. If MM approach is adopted, show that payment or non-payment of dividend does not affect the value of equity shares of the company. 10

7. Attempt any one part of the following: 10\*1 = 10

- Define mergers and acquisitions (M&A) and explain their importance in the corporate world. Discuss the different types of mergers and acquisitions.
- (b) A Ltd wants to acquire B Ltd and has offered a swap ratio of 1:2 shares. Following information is provided:
- | Particulars            | A Ltd     | B Ltd    |
|------------------------|-----------|----------|
| Profit After Tax       | 18,00,000 | 3,60,000 |
| Equity shares          | 6,00,000  | 1,80,000 |
| Earnings per share     | 3         | 2        |
| PE Ratio               | 10 times  | 7 times  |
| Market price per share | 30        | 14       |
- Based on above information calculate:
- Number of equity shares to be issued by A Ltd for acquisition of B Ltd.
  - EPS of A Ltd after the acquisition?
  - Value of A Ltd after acquisition.
- 10