



**School:** School of Business And Law  
**Program/s:** BBA  
**Year:** 3<sup>rd</sup> **Semester:** 5<sup>th</sup>  
**Examination:** End Semester Examination  
**Examination year:** December - 2021

**Course Code:** FA302 **Course Name:** Corporate Finance  
**Date:** 02/01/2021  
**Time:** 02:30 pm to 04:30 pm

**Total Marks:** 40  
**Total Pages:** 2

**Instructions:**

- Write each answer on a new page.
- Use of a calculator is permitted.
- Draw all relevant waveforms in answer sheet only.
- \* COs=Course Outcome mapping. # BTL=Bloom's Taxonomy Level mapping

Q. No.	Details	Marks	COs*	BT L#										
Q. 1	<b>Q1 Answer the following questions: (5)</b> 1. What is a concierge model of business? 2. How is the need for corporate finance decided? 3. What are Current ratios? 4. What are main types of ratios? 5. What is WACC?	5	CO1, CO2	BT1, BT2, BT4										
Q. 2	<b>Q2 Answer following questions: (ANY 5) (10)</b> 1. Explain the components of Business model. 2. How is WACC calculated? 3. Give your thoughts on Profit vs. Shareholders wealth Maximisation. 4. What are Efficiency ratios? 5. Define and explain Valuation of a firm. 6. What is included in Cost of Equity Capital? Explain.	10	CO1, CO2, CO3	BT1, BT3, BT6										
Q. 3	<b>Q3 Answer following questions: (EACH 5 Marks) (15)</b> 1. Windsor Ltd is considering a project, which will involve the following cash inflows and (out) flows: <table border="1" style="margin: 10px auto;"> <thead> <tr> <th></th> <th>Rs. '000</th> </tr> </thead> <tbody> <tr> <td>Initial Outlay</td> <td>(400)</td> </tr> <tr> <td>After 1 Year</td> <td>40</td> </tr> <tr> <td>After 2 Years</td> <td>300</td> </tr> <tr> <td>After 3 Years</td> <td>300</td> </tr> </tbody> </table> What will be the NPV (net present value) of this project if a discount rate of 15% is used?		Rs. '000	Initial Outlay	(400)	After 1 Year	40	After 2 Years	300	After 3 Years	300	15	CO2, CO4	BT3, BT4, BT6
	Rs. '000													
Initial Outlay	(400)													
After 1 Year	40													
After 2 Years	300													
After 3 Years	300													

2. The accompanying table is the project manager's gauge of the income that will occur

End of Year	Cash Flow In	Cash Flow Out
1	0	500,000
2	300,000	90,000
3	400,000	100,000
4	100,000	175,000
5	50,000	35,000

throughout the following five years:

What is the payback period for this project?

OR

2. Choose the most desirable investment proposal from the following alternative proposals using profitability index method:

	Proposal X	Proposal Y	Proposal Z
<b>Present Value of Net Cash Flow</b>	Rs. 2,12,000	Rs.1,71,800	Rs.1,85,200
<b>Amount required to invest</b>	Rs.2,00,000	Rs.1,60,000	Rs.1,80,000

3. Explain Under vs Over Capitalization.

Q. 4 Q4 Answer as below: (EACH 5 Marks)

(10)

10

1. Darby & Davis, LLC, has identified the following two mutually exclusive projects required return is 11%, what is the NPV for project? Which project will you choose?

Year	Project A Cash Flow	Project B Cash flow
0	-17000	-17000
1	8000	2000
2	7000	5000
3	5000	9000
4	3000	9500

OR

1. The director of capital budgeting for Giant Inc. has identified two mutually exclusive projects, L and S, with the following expected net cash flows:

Expected Net Cash Flows		
Year	Project L	Project S
0	-100	-100
1	10	70
2	60	50
3	80	20

The company's cost of capital is 10%. Which should be chosen?

1. Write a short note on working capital management.

OR

2. Explain sources of finance based on time period

CO3,  
CO4

BT2,  
BT3,  
BT5