



JAA-161100020307 Seat No. _____

M. B. A. (Sem. III) (CBCS) Examination

October - 2019

**Financial Decision Analysis &
Corporate Restructuring**

Time : 3 Hours]

[Total Marks : 70

1 What is capital structure? Explain the characteristics of ideal capital structure and types of capital structure. 14

2 What do you mean by corporate restructuring? Explain different forms of corporate restructuring. 14

OR

2 (a) What is dividend policy? Explain the factor affecting of dividend policy. 7

(b) What is hire purchase? Explain the advantages of hire purchase. 7

3 YASH Ltd. has sales of Rs. 37,50,000, variable cost Rs. 21,00,000 and fixed cost Rs. 3,00,000. The present capital structure is as follow. 14

Equity Rs. 27,50,000

12% debenture Rs. 22,50,000

(1) What is the return on investment of Yash Ltd?

(2) Does Yash Ltd. Have a favorable financial leverage?

(3) If the industry average of assets turnover is 3, does it have high or low asset leverage?

(4) What are the financial leverage, operating leverage and combine leverage of Yash Ltd?

(5) If sales drop to Rs. 25,00,000, what will be the new EBIT

(6) At what level of sales, will the EBIT be zero?

OR

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[Contd....

- 3 (a) What is lease? Explain the different types of lease. 7
 (b) What is friendly takeover? Explain the advantages of friendly takeover? 7

- 4 What is meant by buy back of shares? What are the legal provisions that must be followed in case of buy back. 14

OR

- 4 (a) Following details relate to the two companies. 10

Particulars	A	B
Equity capital (each of Rs. 10)	40,000	20,000
10% debt	10,000	30,000
Net operating income	10,000	10,000

Answer the following :

- (1) Given the cost of equity of 10% for both companies, calculate the cost of firm for both under NI approach and comment on it
 (2) Given the cost of the firm at 15% for both the companies, calculate the cost of equity for both the companies under NOI approach and comment on it.

- (b) Explain Net income approach in the context of capital structure. 4

- 5 Write short note on : (Any Two) 14

- (1) Leverage buyout
 (2) Management Buyout
 (3) Going private
 (4) Enterprise DEC Model.