



DAB-19BBA406

Seat No. _____

B. B. A. (Sem. IV) (CBCS) Examination

April – 2022

Corporate Finance

(New Course)

Time : 2½ Hours]

[Total Marks : 70

Instructions :

- (1) Figures on the right hand side indicate marks.
- (2) Show working notes and calculations as part of your answer.

- 1 What is capital budgeting ? Discuss importance of capital budgeting. Explain any two capital budgeting techniques in detail. 17.5
- 2 A company has an investment opportunity costing of Rs. 80,000 with the following expected net cash flow (i.e. after taxes and before depreciation) : 17.5

Year	Net Cash Flow	Year	Net Cash Flow
1	14,000	6	16,000
2	14,000	7	20,000
3	14,000	8	30,000
4	14,000	9	20,000
5	14,000	10	8,000

Using 10% as the cost of capital. (Rate of discount) determine the following :

- (1) Pay-Back period.
- (2) Net Present value at 10% discounting factor.
- (3) Profitability index at 10% discounting factor.
- (4) Internal Rate of Return with the help of 10% discounting factor and 15% discounting factor :

Year	Present value at 10%	Present value at 15%
1	0.909	0.870
2	0.826	0.756
3	0.751	0.658
4	0.683	0.572
5	0.621	0.497
6	0.564	0.432
7	0.513	0.376
8	0.467	0.327
9	0.424	0.284
10	0.386	0.247

- 3 Define working capital. Discuss in details types and importance of working capital. 17.5
- 4 Explain clearly various concept of working capital. Describe the factors affecting working capital requirements. 17.5
- 5 (A) Following information is available as regards to consumption of a certain material in a factory : 7.5
1. Ordering quantity : 7,200 units
 2. Re-order period : 3 to 5 weeks
 3. Maximum consumption : 1,800 units per week
 4. Minimum consumption : 600 units per week
 5. Normal consumption : 1,200 units per week
- Calculate ordering level, Minimum level, Maximum level and safety level.
- (B) Write a note on : Determination of optimum cash balance. 5
- (C) Write a note on : Objectives of maintaining receivables. 5
- 6 (A) Discuss EOQ as technique of inventory management. 7.5
- (B) Write a note on : Objectives of cash management. 5
- (C) Write a note on : Determination of optimum credit policy. 5
- 7 What is Dividend policy ? Describe the factors affecting dividend policy. 17.5
- 8 What is stable Dividend policy ? Give the advantages and limitations of a stable Dividend policy. 17.5