



**DAK-19BBA406**

Seat No. \_\_\_\_\_

**Second Year B.B.A. (Sem. IV) Examination**

**April – 2022**

**Corporate Finance**

*(New Course)*

Time : 2½ Hours ]

[ Total Marks : 70

- Instructions :** (1) Figures on the right handside indicate marks.  
(2) Show working notes and calculations as a part of your answers.

- 1 What is capital budgeting ? Discuss importance of capital budgeting. Explain its pay-back period method and net present value method. **20**

**OR**

- 1 A company has an investment opportunity costing of Rs. 2,40,000 with the following expected net cash flow (i.e. after taxes and before depreciation). **20**

<i>Year</i>	<i>Net cash flow</i>	<i>Year</i>	<i>Net cash flow</i>
1	42,000	6	48,000
2	42,000	7	60,000
3	42,000	8	90,000
4	42,000	9	60,000
5	42,000	10	24,000

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

- 2 What is working capital ? Explain clearly various concepts of working capital. Describe the factors affecting working capital requirements. **20**

**OR**

- 2 What is working capital ? Discuss in detail types and characteristics of working capital. **20**

- 3 (a) Following information is available as regard to consumption of a certain material in a factory. **5**

- (1) Ordering quantity : 36000 units
- (2) Re-order period : 3 to 5 weeks
- (3) Maximum consumption : 9000 units per week
- (4) Minimum consumption : 3000 units per week
- (5) Normal consumption : 6000 units per week

Calculate ordering level, minimum level, maximum level and safety level.

- (b) Write a note on : Motives for holding cash. 5  
(c) Write a note on : Importance of receivable management. 5

**OR**

- 3 (a) Discuss ABC as technique of inventory management. 5  
(b) Write a note on : Significance of cash management. 5  
(c) Write a note on : Determination of optimum credit policy. 5

- 4 What is dividend policy ? What factors are to be considered before determining the dividend policy ? 15

**OR**

- 4 What is stable dividend policy ? Give the advantages and limitations of a stable dividend policy. 15

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