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**M. B. A. (Third Semester) Examination,
Nov.-Dec. 2020**

(New Scheme)

(Management Branch)

(Specialization : Finance Management)

CORPORATE FINANCE and VALUATION (New)

Time Allowed : Three hours

Maximum Marks : 80

Minimum Pass Marks : 32

Note : Attempt all the questions. From each question solve any two of (a), (b) or (c). All questions carry equal marks.

1. Solve any two :

(a) What are different approaches to business valuation?

Explain in brief.

8

- (b) "The value of a firm is the present value of expected cash flow." What are various actions to create value of an organisation? 8
- (c) Enumerate the approaches for valuation of : 8
- (i) Valuing negative earning firm
- (ii) Valuing intangible assets
2. Solve any two :
- (a) Define working capital. What are determinants of working capital from the perspective of corporate finance? 8
- (b) List down the importance of liquidity position of a company. What are various ways of managing liquidity position of a company? 8
- (c) Table below gives details of sales & costs of the goods produced by XYZ Ltd. for the year 2013. Calculate length of operating cycle, cash cycle. Assume 365 days in a year. 8
- Sales : ₹ 90,000
- Cost of goods sold : ₹ 66,000

Inventory

31/3/2012 : ₹ 9,000

31/3/2013 : ₹ 14,000

Account receivables

31/3/2012 : ₹ 14,000

31/3/2013 : ₹ 16,000

Account payables

31/3/2012 : ₹ 8,000

31/3/2013 : ₹ 10,000

3. Solve any two :

- (a) Explain various methods of capital budgeting techniques. 8
- (b) How does financial management of an international firm differs from that of a domestic firm. 8
- (c) A project costs ₹ 6,000 & it has cash flows of ₹ 4,000; ₹ 3,000; ₹ 2,000 & ₹ 1,000 in year 1 through 4.
- Assume that the associated risk adjustment factor are estimated to be $\alpha_0 = 1.0$, $\alpha_1 = 0.9$, $\alpha_2 = 0.7$,

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$\alpha_3 = 0.5$ and $\alpha_4 = 0.3$ risk free discount rate
10%. Calculate Net present value. 8

4. Solve any two :

- (a) Explain the importance of banking relationship & negotiation planning in corporate finance. 8
- (b) What are negotiation objective & determination of negotiation strategy? 8
- (c) "Negotiation is one of the important aspect in corporate finance." Elaborate with quantification of the banking business. 8

5. Solve any two :

- (a) Define & distinguish between the concepts of merger, takeover and amalgamation. Illustrate your answer with suitable examples. 8
- (b) What leads to the failure of a merger or acquisition? How should a company ensure that merger or acquisition is successful? 8

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(c) XYZ company is acquiring ABC company. XYZ will pay 0.6 of its shares to the shareholders of ABC for each share held by them. The data for two companies are given below :

	XYZ	ABC
Profit after tax (in lakh)	160	40
No. of shares (in lakh)	28	10
EPS (₹)	6.2	3.85
Market price per share (₹)	80	34
P/E	12.9	8.83

Calculate the earning per share of the surviving firm after merger. If the price-earnings ratio falls to 12 after the merger, what is the premium received by the shareholders of ABC? Is merger beneficial for XYZ's shareholders. 8