

Plot No. 2, Knowledge Park-III, Greater Noida (U.P.) – 201306

POST GRADUATE DIPLOMA IN MANAGEMENT (2019-2021)
MID TERM EXAMINATIONS (TERM - III)

Subject Name: Corporate Finance

Time: 01.30 hrs

Sub. Code: PG-20

Max Marks: 20

Note:

- 1. Writing anything except Roll Number on question paper will be deemed as an act of indulging in unfair means and action shall be taken as per rules.**
- 2. All questions are compulsory in Section A, B & C. Section A carries 1 Case Study of 8 marks. Section B carries 3 questions of 2 marks each and Section C carries 2 questions of 3 marks each.**

SECTION - A

04+04 = 08 Marks

Q. 1: Case Study:

A company plans to issue 1,000 new shares of Rs. 100 each at par. The floatation costs are expected to be 5% of the share price. The company pays a dividend of Rs. 10 per share initially and the growth in dividends is expected to be 5%. The average tax rate of shareholders is 40% and it is expected that 2% is the brokerage cost that shareholders will have to pay while investing their dividends in alternative securities.

- Calculate the cost of new issue of equity shares.**
- What is the cost of retained earnings?**

SECTION - B

02×03 = 06 Marks

Q. 2: Why is the consideration of TIME important in financial decision-making? Illustrate.

Q. 3: When can there arise a conflict between shareholder's and manager's goals?

Q. 4: Investment, financing and dividend decisions are all inter-related. Comment.

SECTION - C

03×02 = 06 Marks

Q. 5. In what ways is the wealth maximization objective superior to the profit maximization objective? Explain.

Q. 6. Mr. Amit has to receive Rs. 3,000 per year for 6 years. Calculate the Present Value of Annuity assuming that he can earn interest on his investment at 10% p.a.