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Reg. No. : ....

Name : ....

Fourth Semester M.B.A. (Full Time) Degree Examination, July 2009
(2006 Scheme)
STRATEGIC CORPORATE FINANCE

Time: 3 Hours Max. Marks: 60

SECTION – A **(5×3=15 Marks)**

Answer **any five** questions. **Each** question carries **three** marks.

1. What are the primary objectives of Corporate Management in India ?
2. What is equipment lease ? What are its essential elements ?
3. What are the unique features of hire-purchase accounting ?
4. What is sensitivity analysis ?
5. What are the components of net cash outlay in the capital budgeting decision ?
6. What is hedging ?
7. What are 'Interest swaps' and 'Currency swaps' ?
8. What are derivative instruments ?

SECTION – B **(3×10=30 Marks)**

Answer **any three** questions. **Each** question carries **ten** marks.

9. Briefly discuss the financial security markets and its valuation models.
10. Explain the different types of long term financing and its significance.
11. Enumerate briefly the major steps in capital budgeting.

P.T.O.

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12. The Income Statements of M.K. Ltd. are given for the years 2007 and 2008. Convert them into common-size income statement and interpret the change.

Income statements for the year ending.

	2007 (Rs.)	**2008 (Rs.)**
Gross Sales	7,25,000	8,15,000 –
Less : Sales returns	25,000	15,000
Net sales	7,00,000	8,00,000
Cost of sales	5,95,000	6,15,000
Gross Profit	**1,05,000**	**1,85,000**
Operating Expenses :		
Selling and distribution expenses	23,000	24,000
Administrative expenses	12,700	12,500
Total expenses	**35,700**	**36,500**
Operating income	69,300	1,48,500
Other incomes	1,200	8,050
	70,500	1,56,550
Net operating expenses	1,750	1,940
Net profit	**68,750**	**1,54,610**

13. X Company Ltd., an Indian Company, is required to make a payment of 3 million US dollars after six months, against import of plant and machinery. What are the different alternatives to hedge against the foreign currency exposure. Give explanations.

SECTION – C **15**

Compulsory Question

14. Calculate the average rate of return for Project **A** and **B** from the following :

	Project A	**Project B**
Investments	Rs. 20,000	Rs. 30,000
Expected life (no salvage value)	4 years	5 years

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Project Net Income (after interest, depreciation and taxes)

Years	**Project A (Rs.)**	**Project B (Rs.)**
1	2,000	3,000
2	1,500	3,000
3	1,500	2,000
4	1,000	1,000
5	-	1,000
	6,000	**10,000**

If the required rate of return is 12% which project should be undertaken ?

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