

MMPF-002

**Master of Business Administration (MBA)/ Master of Business
Administration (Online) MBA(OL) / Master of Business
Administration(Financial Management) (MBAFM)/ Post Graduate
Diploma in Financial Management (PGDIFM)**

ASSIGNMENT

For

July 2024 and January 2025 Sessions

MMPF-002: Capital Investment and Financing Decisions

**(Last date of submission for July 2024 session is 31st October, 2024
and for January 2025 sessions is 30th April, 2025)**



School of Management Studies

INDIRA GANDHI NATIONAL OPEN UNIVERSITY

MAIDAN GARHI, NEW DELHI – 110 068

ASSIGNMENT

Course Code	:	MMPF-002
Course Title	:	Capital Investment and Financing Decisions
Assignment Code	:	MMPF-002/TMA/ JULY/2024
Coverage	:	All Blocks

Note: Attempt all the questions and submit this assignment to the coordinator of your study centre. Last date of submission for July 2024 session is 31st October, 2024 and for January 2025 sessions is 30th April, 2025.

1. ABC Ltd. has the following book value capital structure as on March, 31, 2024.

Equity share capital (2,00,000 shares)	60,00,000
10% preference shares	10,00,000
12% Debentures	30,00,000
	100,00,000

The equity share of the company sells at Rs. 30. It is expected that the company will pay next year a dividend of Rs. 3 per equity share which is expected to grow at 5% p.a. forever, Assume 40% corporate tax rates.

Based on the above information calculate.

- (a) Weighted average cost of capital (WACC) of the company based on the existing capital structure.
 - (b) Compute the new WACC if the company raises an additional 40 Lakh debt by issuing 13% debentures. This would result in increasing the expected dividend to Rs. 3.60 and leave the growth rate unchanged but the price of the equity share will fall to Rs. 24.
2. How are the Cash Flows for Capital Budgeting estimated? Describe the various methods used for evaluating investment proposals. .
3. What do you understand by Certainty and Risk? Describe the techniques used for measurement of Project Risk.
4. Explain the following:
- (a) Leasing and Hire Purchase. Discuss the difference between these two.
 - (b) Asset Securitization
5. What is Financial Engineering? Discuss the factors contributing to Financial Engineering.