

00715 MASTER OF BUSINESS ADMINISTRATION

Term-End Examination

June, 2012

MCTE-037 : CORPORATE FINANCING
STRATEGY

Time : 3 hours

Maximum Marks : 100

Note : Attempt any five questions. All questions carry equal marks.

1. What is the nature of risk-return trade-off faced in financial decision making ? How does this nature govern the behaviour of financial manager ?
2. The weighted average cost of capital may be computed using "book" or "market" weights. Briefly describe how each set of weights is calculated. Compare the advantages and disadvantages of using book weights rather than market weights in calculating the firm's weighted average cost of capital.

3. Distinguish between decision criterion and performance measure. Do the benefit - cost ratio and the net present value approaches to capital budgeting always agree with respect to both acceptability and ranking of investments ?
4. Compare and contrast the short-term borrowing strategies. How does a firm's short - term financing strategy affect its liquidity ?
5. Distinguish between business risk and financial risk. What gives rise to, or course, each type of risk.
6. What is a dividend ? How does dividend policy relate to management's responsibility to maximize the wealth of the firm's shareholders in the long run ?
7. "Valuation is the key element in appraising a merger." Explain.
8. Distinguish between a reorganization and a bankruptcy. As a creditor of a financial troubled concern, would you prefer liquidation or financial reorganization ?
9. Critically examine the impact of the financial derivatives on the financial system.