No. of Printed Pages : **3** **MCTE-037**

MASTER OF BUSINESS ADMINISTRATION

Term-End Examination

December, 2011

00153

MCTE-037 : CORPORATE FINANCING STRATEGY

Time : 3 hours *Maximum Marks : 100*

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

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1. How can a financial manager influence the magnitude, timing, and risk of cash flow expected to be generated by the firm in order to maximize shareholder wealth ? **20**

2. Define the internal rate of return (IRR). What aspects of investment performance does it measure? If a conflict exists between the internal rate of return (IRR) and net present value (NPV) methods, should the capital budgeting decision be made on the basis of the IRR or the NPV ranking ? **20**

3. Differentiate between projects that transfer wealth from one financing source to another, ones that created wealth, and ones that do both. As a finance manager, what is your ethical responsibility when you have an opportunity to transfer wealth from creditors to equity shareholders ? 20

4. " Modern corporate finance theory does not apply to firms that currently pay no dividends because the market is obviously pricing their stock based on something other than dividends." Critically examine this statement. 20

5. What are acquisitions and mergers ? How would you evaluate the acquisition of a going concern ? 20

6. What is the relationship of total leverage to total risk ? How is each of these related to the firm's total break-even point and over-all risk trade-off ? How does one measure the degree of total leverage ? 20

7. How do cash forecasting and short-term borrowing strategies relate ? Under what condition (s) is trade credit not a "cost-free" sources of funds to the firm ? 20

8. What is a leveraged buyout (LBO) ? What are the key attributes of an active candidate for acquisition using an LBO ? 20

9. "The changing nature of financial industry, especially as reflected in the financial derivatives market, provides a considerable opportunities for risk sharing or inter-temporal smothering." What actions can be taken to control or plan for these risks ? Can value be produced through risk management strategies ? Explain. 20