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MMPF-002

**MASTER OF BUSINESS
ADMINISTRATION
(MBA)**

Term-End Examination

December, 2023

**MMPF-002 : CAPITAL INVESTMENT AND
FINANCING DECISIONS**

Time : 3 Hours

Maximum Marks : 100

(Weightage : 70%)

Note : (i) Answer any **five** questions.

(ii) All questions carry equal marks.

1. Describe the nature of Financial Decisions and discuss the inter-relationship amongst these decisions.
2. ABC and XYZ Ltd. have the same levels of business risk and their market values and earnings are summarised given ahead :

P. T. O.

Particulars	ABC Ltd. (₹)	XYZ Ltd. (₹)
Market value :		
Equity	6,00,000	3,00,000
Debt	Nil	2,50,000
	<hr style="width: 50%; margin: auto;"/>	<hr style="width: 50%; margin: auto;"/>
	6,00,000	5,50,000
	<hr style="width: 50%; margin: auto;"/>	<hr style="width: 50%; margin: auto;"/>
Earnings	90,000	90,000
<i>Less</i> : Interest	Nil	22,000
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	90,000	68,000

Calculate the post-tax cost of equity, cost of debt and weighted average cost of capital of both the companies. Assume that the income tax rate is 35% and additional tax on dividend distribution is 20%.

3. Explain the distinguishing features of a project and discuss in detail the dynamics of the project life cycle.
4. What is Social Cost-Benefit Analysis (SCBA) ? In the context of SCBA, explain the concept of 'Market Failures'.
5. What do you understand by 'Certainty Equivalents' ? Explain the relationship between certainty equivalents and risk adjusted discount rate.

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6. Explain the various instruments through which companies raise debt capital.
7. What are the various forms of mergers ?
Discuss the motives for mergers.
8. Briefly explain the corporate form of business organisation and discuss the key considerations for investors' relation function.