

No. of Printed Pages : 3

MS-42

MANAGEMENT PROGRAMME (MP)
Term-End Examination
December, 2023

**MS-42 : CAPITAL INVESTMENT AND
FINANCING DECISIONS**

Time : 3 Hours

Maximum Marks : 100

Weightage : 70%

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

(ii) *All questions carry equal marks.*

1. What do you understand by 'Capital Structure'? Discuss the criteria for determining pattern of capital structure and explain the Modigliani-Miller (MM) theory of capital structure.
2. In which *four* categories are investment proposals grouped? Describe the process of estimating cash flows for capital budgeting and discuss the Internal Rate of Return (IRR) method used for evaluating investment proposals.

P. T. O.

3. Write short notes on any *four* of the following :
 - (a) Estimating foreign exchange flows of a project
 - (b) Earned value chart
 - (c) Certainty equivalents
 - (d) Leasing and Hire Purchase
 - (e) Venture Capital
4. What is a Project Risk ? Describe the probability Distribution and Sensitivity Analysis methods used to quantify project risk.
5. Discuss in brief the various instruments through which companies can procure finance from domestic markets. Assess the utility of each in context of cost and control.
6. Who are the stakeholders of a company ? Describe the type of information demanded by different stakeholders from the company. Assess the impact of transparency and disclosures on investor's relation.
7. What is Corporate Restructuring ? Discuss the various forms of mergers and describe how to assess merger as a source of value addition.

[3]

8. The following key information pertains to Mayur Textiles Ltd. for the year 2022-23 :

| Particulars | Amount (₹ in lakhs) |
|-------------------------------|--------------------------------|
| Sales | 165 |
| Variable Cost | 92.4 |
| Fixed Cost | 13.20 |
| 9% Debentures | 100 |
| Equity Shares (₹ 100 each) | 120 |
| Corporate income tax | 35% |

You are required to calculate/comment :

- (i) The company's RoI
- (ii) Does it have favourable financial leverage ?
- (iii) If the industry average of asset turnover is 3, does it have a high or low asset leverage ?
- (iv) The Operating, Financial and Combined leverage of the company