

MANAGEMENT PROGRAMME
Term-End Examination

June, 2022

**MS-042 : CAPITAL INVESTMENT AND FINANCING
DECISIONS**

Time : 3 hours

Maximum Marks : 100

(Weightage : 70%)

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

1. Explain the concept of 'Cost of Capital'. How is it calculated for Long-term debt and Preference shares ?
2. What do you understand by 'Project Life Cycle' ? Explain the 'Work Breakdown Structure' and 'Linear Responsibility Charts'.
3. What do you understand by 'Project Choice' ? Explain the applications of 'Net Present Value' and 'Internal Rate of Return' approaches in project choice. Compare and contrast both of these approaches.

4. What do you understand by 'Business risk' and 'Financial risk' ? Explain the factors which determine 'Asset Betas'.
5. Write short notes on any *four* of the following :
 - (a) Equity Shares
 - (b) Rights Issue
 - (c) Debentures
 - (d) Euro Currency Market
 - (e) Role of Banks in Term Finance
6. What are the various forms of assistance through which the financial institutions provide help to the industries ? Mention a few of the special schemes of the financial institutions and discuss their important features.
7. Explain the Walter and Gordon model of dividend policy and discuss the implications of their conclusions on dividend policy of growth firms, normal firms and declining firms.
8. What do you understand by 'Financial Engineering' ? Discuss the factors that have contributed to rise of financial engineering in recent years.
