

No. of Printed Pages : 4

MMPF-002

**MASTER OF BUSINESS
ADMINISTRATION**

(MBA)

Term-End Examination

December, 2024

**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. (a) Why is the cost of capital considered as the minimum acceptable rate of return on an investment ? Explain.

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- (b) The following information has been extracted from the Balance Sheet of XYZ Ltd. as on 31-03-2023 :

	₹ in lakhs
Equity	400
12% Debentures	400
Term loan @ 18% per annum	1,200

- (i) Determine the weighted average cost of capital of the company. It has been paying dividends at a consistent rate of 20% p. a.
- (ii) What difference would it make if the current price of the ₹ 100 share is ₹ 160 ?
- (iii) Determine the effect of income tax @ 50% on cost of capital under both circumstances.

2. What is a firm's capital structure ? Explain the EBIT-EPS approach to the capital structure. Is maximizing values and maximising EPS the same ?
3. What are Project Plan Elements ? Describe the Work Breakdown Structure (WBS) and explain how it can be used as a key document to monitor and control a project.
4. What are the different types of Social Cost-Benefit Analysis (SCBA) ? In context of SCBA, describe the concept of market failures.
5. What is an Asset Beta ? Describe the factors that determine Asset Betas.
6. Write short notes on the following :
 - (a) Warrants
 - (b) Debentures
 - (c) Leasing and Hire Purchase
 - (d) Euro Currency Market

7. What is Financial Engineering ? Discuss the factors contributing to evolution of Financial Engineering.
8. Explain the corporate form of business organisation and describe the key considerations for investor relation function. What are the forces that drive for information from the company ?

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