



JAIPURIA INSTITUTE OF MANAGEMENT, NOIDA

PGDM (Section B)

FIFTH TRIMESTER (Batch 2024-26)

END TERM EXAMINATIONS, JANUARY 2025

MAIN EXAM

Course Name	Corporate Finance	Course Code	10202
Max. Time	2 hours	Max. Marks	40 MM

INSTRUCTIONS:

- Handwritten note / paper / any other material, mobile phone, and scientific watch are strictly prohibited during the examination. Disciplinary action will be taken if any examinee is found to carry / use any such material.
- All parts of the same question must be answered in the same place. For example, if the question 2 contains 3 parts – (a), (b) and (c), the answers to each part must be given sequentially in the same place.
- Exchange of calculator is strictly prohibited.
- Step by step all workings must be shown clearly without which marks will not be awarded.
- Extreme caution has been taken in making the questions. There is no ambiguity in the question paper. Hence do not ask for any explanation from the invigilator. Still if you feel that there exists room for any assumption then write the same clearly. However, illogical assumptions will be ignored.

Question 1 (CLO2; BT Level V) 5 X 2 marks

MENA Corporation is considering a capital project with the following characteristics:

Initial outlay = Rs.100 crore

Annual Cash flows after tax = Rs.20 crore after tax

Corporate tax rate = 25%

Useful life of the project = 8 years

The required rate of return of MENA Ltd = 11.25%

The company depreciates its non-current assets on SLM basis with 5% salvage value.

Analyse the net present value and internal rate of return of the project.

Question 2 (CLO2; BT Level V) 10 marks

B Ltd. currently has Rs.50 crore of market value debt outstanding. The 7 per cent coupon bonds (annual pay) have a maturity of 9 years and are currently priced at Rs.1,050 per bond. The firm also has an issue of 3 million preference shares outstanding with a market price of Rs.150. The preference shares offer an annual dividend of Rs.15. The Company also has 20 million ordinary shares outstanding with a price of Rs.250. The firm is expected to pay a Rs.13.00 per ordinary

share dividend one year from today, and that dividend is expected to increase by 8 per cent per year forever.

If the company is subject to a 25 per cent marginal tax rate, evaluate the firm's weighted average cost of capital?

Question 3 (CLO2; BT Level V) 10 marks (4+4+2)

The balance sheet of a Company is as follows:

Liabilities	Amount	Assets	Amount
Equity Share Capital (Face Value is Rs 10)	60,000	Fixed Assets	1,50,000
Retained Earnings	20,000	Current Assets	50,000
10% Long Term Debt	80,000		
Current Liabilities	40,000		
Total Assets	2,00,000	Total Assets	2,00,000
The Company's Total Assets Turnover Ratio (Sales to Total Assets) is 3.			
The Fixed Cost is Rs. 1,00,000 and its Variable Cost Ratio is 40%			

The corporate Tax rate is 40%. Determine the different types of Leverages: Financial, Operating and Combined Leverages.

Question 4 (a) (CLO3; BT Level V) Marks: 5 (2.5 + 2.5)

(i) Merrifield Cosmetics management calculates that their firm's its operating cycle for last year was 76 days. The company had \$230,000 in its accounts receivable account and sales of \$1.92 million. Evaluate approximately how many days does it take from the time raw materials are received at Merrifield until the finished products they are used to produce are sold?

(ii) Joanna Handicrafts, Inc., has net sales of \$4.23 million with 50 percent being credit sales. Its cost of goods sold is \$2.54 million. The firm's cash conversion cycle is 47.9 days, and its operating cycle is 86.3 days. Determine the firm's accounts payable?

Question 4 (b) (CLO2; BT Level V) 5 marks

Greenfield Enterprises declared a dividend of \$1.50 per share this year. The company's current earnings per share (EPS) is \$6.00, and it is known that the dividend for last year was increased by 10% compared to the previous year's dividend. Given that the company had 2 million shares outstanding last year, determine the dividend payout ratio for Greenfield Enterprises in the previous year? There is no change in the EPS from last year.