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| **C:\Users\ADMIN\Desktop\j.png** | **JAIPURIA INSTITUE OF MANAGEMENT, INDORE**  Post Graduate Diploma in Management |
| **Course Title: Corporate Finance (Course Code: 40202)**  **Improvement Examination, Term – II (Batch 2022-24) (March 2023)** | |
| **Time Duration : 2 Hours Total Marks: 40** | |

***Instructions*:**

1. *This exam is completely an MS -excel based exam*
2. *No answer sheet will be given*
3. *Students need to submit one excel workbook as an answer script. The workbook will have multiple worksheets.*
4. *Students need to solve each question in a separate worksheet and name the worksheet with ques no.*
5. *No Internet access will be given*
6. *No formula, interest factors tables will be provided*
7. *Students should continually keep saving their work*
8. *Students should save the final excel answer sheet with their name, roll no. and division*
9. *Do not write anything on the question paper apart from your roll no.*

**Q1.**

a) The following are the cash flows from a project:

|  |  |
| --- | --- |
| **Year** | **Cash flows ($)** |
| 0 | -2,00,000 |
| 1 | 50,000 |
| 2 | 1,00,000 |
| 3 | 20,000 |
| 4 | 50,000 |

Appraise the project using NPV, IRR and Discounted Payback Period methods. The weighted average cost of capital of the firm is 12% and the Management’s accepted break-even period is 3 years.

**(8 marks)**

b) Australia Mine Corporation has the following cash flows for a project:

|  |  |
| --- | --- |
| **Year** | **Cash flows in million $** |
| 0 | -12 |
| 1 | 5 |
| 2 | 10 |
| 3 | -2 |
| 4 | 10 |

Contrast the methods of IRR and MIRR for analysing the above project. If the required rate of return is 12%, should Australia Mine Corporation accept or reject the project? Financing cost is 12%.

**(6 marks)**

**Q2.** The following is the capital structure of Simons Company Ltd. as of 31 March of the current year

Equity share: 10,000 shares (of $ 100 each) $ 10, 00,000

12% Preference shares (of $ 100 each) $ 4, 00,000

10% Debentures (of $ 100 each) $ 6, 00,000

The market price of Shares Company’s shares is $110 and it is expected that a dividend of $10 per share would be declared at the end of the current year. The dividend growth rate is 6%.

1. If the company is in the 35 percent tax bracket, compute the weighted average cost of capital based on market value weights.
2. Assuming that in order to finance an expansion plan, the company intends to borrow a fund of $10 lakhs at a 12 percent rate of interest. This financing decision is expected to increase the dividend from $10 to $ 12 per share. However, the market price of equity shares is expected to decline from $110 to $ 105 per share. What will be the company’s revised weighted average cost of capital?

**(6+6 marks)**

**Q3.** Following is the financial statement data of Saksham Ltd. for the year 2021

|  |  |  |  |
| --- | --- | --- | --- |
| **Profit and Loss Account Data for the year ending 2021 (in ₹ lakhs)** | | **Balance Sheet Data as on 31st March, 2021 (in ₹ lakhs)** | |
| Sales | 530 | Inventories | 100 |
| COGS | 260 | Bills Receivables | 80 |
|  |  | Bills payables | 60 |

Examine the above data to find out the operating cycle and cash conversion cycle of Saksham Ltd. for the year 2021.

**(6 marks)**

**Q4.** The Balance sheet for Levy Corp. is shown below in market value terms. There are 14,000 shares of stock outstanding.

|  |  |  |  |
| --- | --- | --- | --- |
| **Market Value Balance Sheet** | | | |
| Cash | $62,000 | Equity | $5,07,000 |
| Fixed Assets | 4,45,000 |  |  |
| Total | $5,07,000 | Total | $5,07,000 |

The company has declared a dividend of $1.60 per share. The stock goes ex-dividend tomorrow, ignoring any tax effects, what is the stock selling for today? What will it sell for tomorrow? What will the Balance Sheet look like after the dividends are paid?

**(8 marks)**

**-----------------------------------------------End of the question paper---------------------------------------------**