

MAY 2016

**P/ID 77521/PMEE/
PMBF1/PMSF1/
MBNF1**

Time : Three hours

Maximum : 100 marks

PART A — (5 × 6 = 30 marks)

Answer any FIVE questions.

1. State the importance of corporate finance.
2. What is a firm's dividend yield?
3. State the reasons for mergers.
4. What are the advantages of leasing?
5. What are the differences between forwards and futures?
6. Examine how fiscal policies will affect capital market.
7. Enumerate the objectives of risk analysis.
8. Explain the meaning of valuation of the firm.

PART B — (5 × 10 = 50 marks)

Answer any FIVE questions.

9. What are the advantages and disadvantages of dividend valuation model?
10. Explain the Walter model of dividend policy. How it differ from other models?
11. State the major reasons for business failures in India with examples.
12. Explain the different types of lease financing with examples.
13. Briefly explain the components of derivatives market.
14. Discuss the state of the venture capital industry in India.
15. Explain the functions of Indian capital market.
16. What is an option? What is the difference between a call option and a put option?

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PART C — (1 × 20 = 20 marks)

Compulsory

17. Premiere Tex is a small scale manufacturing industry for designer upholstery promoted by Sharan. He had recently participated in a trade fair to showcase the products and expect to receive an enquiry from abroad. It came by way of a fax from a Singapore supermarket chain, requesting him to quote the price in Singapore dollar for supply of 2,000 pairs of universal seat covers from padded poly-cotton with embroidery design. Samples were sent and received order with payment conditions of 30% immediately on shipment, 30% on the 90th day and the balance on the 180th day from the shipment. An excited Sharan seeks the help of finance professional. You are an expert, suggest and advice in this regard.
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