

MMPF - 002

**Master of Business Administration (MBA)/ Master of Business Administration
(Online) MBA(OL) / Master of Business Administration(Financial
Management) (MBAFM)/ Post Graduate Diploma in Financial Management
(PGDIFM)**

**ASSIGNMENT
For
July 2025 and January 2026 Semester**

MMPF - 002: CAPITAL INVESTMENT AND FINANCING DECISIONS

**(Last date of submission for July 2025 Semester is 31st October 2025
and for January 2026 Semester is 30th April, 2026)**



**School of Management Studies
INDIRA GANDHI NATIONAL OPEN UNIVERSITY
MAIDAN GARHI, NEW DELHI – 110 068**

ASSIGNMENT

Course Code	:	MMPF - 002
Course Title	:	Capital Investment and Financing Decisions
Assignment Code	:	MMPF - 002/TMA/JULY/2025
Coverage	:	All Blocks

Note: Attempt all the questions and submit this assignment to the Coordinator of your study centre. Last date of submission for July 2025 Semester is 31st October 2025 and for January 2026 Semester is 30th April, 2026.

1. The Rising Sun Company requires Rs. 24 crores for installing a new assembly line. This investment is expected to yield an annual EBIT of Rs. 4 crores. The objective of investment by the company is to maximise the Earnings Per Share. Various alternatives which the company is considering are issuing of equity shares and raising a debt of either Rs. 4 crores, 6 crores or 20 crores. The current market price per share is Rs. 80. Which is expected to drop to Rs. 50 per share if the borrowing is in excess of Rs. 7.5 crores. Cost of borrowing are as follows:

Up to Rs. 2.5 crores	9% p.a
Above Rs. 2.5 crores to 6 crores	12% p.a
Above Rs. 6 crores to 20 crores	14% p.a.

Assuming a tax rate of 35% work out EPS and the scheme which would meet the objectives of investment.
2. How are cash flows for Capital Budgeting estimated? Describe the different method used for evaluating investment proposals.
3. What is Project Risk? Describe the various techniques used for measuring and evaluating project risk.
4. Describe various non-traditional sources of Long Term Financing. Discuss their advantage over traditional sources of financing.
5. Discuss the factors contributing to Financial Engineering and describe Financial Engineering process.