

No. of Printed Pages : 5

**MMPF-002**

**MASTER OF BUSINESS**

**ADMINISTRATION**

**(MBA)**

**Term-End Examination**

**December, 2025**

**MMPF-002 : CAPITAL INVESTMENT AND  
FINANCING DECISIONS**

*Time : 3 Hours*

*Maximum Marks : 100*

*Weightage : 70%*

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**Note :** (i) *Attempt any five questions.*

(ii) *All questions carry equal marks.*

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1. Why is the cost of capital considered as the minimum acceptable rate of return on

investment ? Explain the various methods used for calculating cost of equity capital.

2. Explain the distinguishing features of a project. Discuss the concept of project life cycle and explain its application in project management.
3. What is Social Cost-Benefit Analysis (SCBA) ? Explain the concept of market failures in the context of SCBA.
4. What do you understand by Asset Betas and Equity Betas ? Discuss the factors determining Asset Betas.
5. Write short notes on any *four* of the following :
  - (i) Scenario Analysis

- (ii) Warrants
  - (iii) Euro Currency Market
  - (iv) Sponsored and Un-sponsored Depository Receipts
  - (v) Portfolio Funds
6. What is Financial Engineering ? Discuss the factors contributing to Financial Engineering and give few examples of financial engineering in fixed income securities.
7. What is Investors Relations ? What are the forces that drive for information from the company ? Explain the nature of information demanded by different stakeholders.

8. ABC Ltd. has the following capital structure :

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Ordinary shares of ₹ 10 each	200 lakhs
Reserves and Surplus	80 lakhs
10% Debentures each of face value ₹ 100	120 lakhs
Total	400 lakhs

A new project costing ₹ 100 lakhs when executed will raise the earnings before interest and taxes from current level of ₹ 80 lakhs to ₹ 110 lakhs. The following options are under consideration :

- (i) Issues equality shares at a premium of ₹ 15 each for the entire amount.

- (ii) Issue 12% debentures for ₹ 100 lakhs.
- (iii) Issue equity shares for ₹ 50 lakhs at a premium of ₹ 20 per share and issue 12% debentures for the balance amount.

The company's tax rate is 40%. Evaluate the three options and advise the company.

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