

**MANAGEMENT PROGRAMME
(MP)**

**Term-End Examination
June, 2025**

**MS-42 : CAPITAL INVESTMENT AND
FINANCING DECISIONS**

Time : 3 Hours

Maximum Marks : 100

(Weightage : 70%)

Note : Attempt any ***five*** questions. All questions carry equal marks.

1. Explain the nature of Financial Decisions and describe the inter-relationship among these decisions. Discuss the objectives of wealth maximization and maximization of profit.

2. What is 'Cost of Capital' ? How is cost of equity capital and retained earnings calculated ?
3. Explain the term 'Capital Structure' and discuss the criteria for determining pattern of capital structure. Describe Modigliani-Miller (MM) theory of capital structure.
4. How are cash flows estimated for the purpose of Capital Budgeting ? Explain the Net Present Value (NPV) method and Internal Rate of Return (IRR) method used for evaluating investment proposals.
5. Describe the various types of project controls and associated control processes. Discuss the design characteristics of a control system.
6. What is an Asset Beta ? Explain the relationship between Certainty equivalent and Risk adjusted discount rate for long-lived assets.

7. Write short notes on any *four* of the following :
- (a) Debentures
 - (b) Venture capital
 - (c) Leasing and Hire purchase
 - (d) Investor Service
 - (e) Corporate Restructuring
8. What is Financial Engineering ? Discuss the factors contributing to financial engineering. Describe the application of financial engineering in fixed income securities.

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