No. of Printed Pages : 5 **MMPF–002**

MASTER OF BUSINESS ADMINISTRATION (MBA)

Term-End Examination

June, 2026

MMPF-002 : CAPITAL INVESTMENT AND FINANCING DECISIONS

Time : 3 Hours *Maximum Marks : 100*

Weightage : 70%

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

(ii) All questions carry equal marks.

1. Explain the concept of cost of capital and discuss how it is classified ? How is cost of long-term debt calculated ?

2. How are cash flows for Capital Budgeting estimated ? Explain the Present Value method and Internal Rate of Return method used for evaluating capital investment proposals.

3. What is the purpose of control in projects ? Explain the *three* main types of control systems used in projects implementation.

4. What is Social Cost Benefits Analysis (SCBA) ? Discuss the basic steps involved in conducting SCBA.

5. Explain the application of Probability Distribution and Sensitivity Analysis in determining project risk.

6. Write short notes on any *four* of the following :

   (i) Leasing and Hire Purchase

   (ii) Suppliers Credits

   (iii) Leveraged Buyout

   (iv) External Commercial Borrowings

   (v) Venture Capital

7. Discuss various forms of mergers. What are the driving forces for mergers and acquisitions ?

8. A company's capital structure consists of the following :

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Equity share of ₹ 100 each	40,00,000
Retained earnings	20,00,000
9% Preference share	24,00,000
7% Debentures	16,00,000
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The company earns 12% on its capital employed and tax rate is 40%. The company requires a sum of ₹ 50 lakhs to finance its expansion for which the following alternatives are thought of :

(i) Issue 40,000 equity shares at a premium of ₹ 25 per share

Or

(ii) Issue 12% preference share

Or

(iii) Issue 8% debentures

It is estimated that the prices earning ratio in case of equity shares, preference shares and debentures financing would be 21.4, 17.0 and 15.7 respectively.

You are required to evaluate the proposal and recommend the best alternative.

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