

Enrollment No.....



Faculty of Engineering  
End Sem Examination May-2024  
CB3EL04 Advance Finance

Programme: B.Tech.

Branch/Specialisation: CSBS

**Duration: 3 Hrs.****Maximum Marks: 60**

Note: All questions are compulsory. Internal choices, if any, are indicated. Answers of Q.1 (MCQs) should be written in full instead of only a, b, c or d. Assume suitable data if necessary. Notations and symbols have their usual meaning.

- Q.1 i. Which of the following is a long-term source of funds for a company? **1**  
 (a) Bank loan (b) Trade credit  
 (c) Equity shares (d) Debentures
- ii. Which of the following is an example of an internal source of funds? **1**  
 (a) Issuance of bonds (b) Sale of common stock  
 (c) Retained earnings (d) Bank loan
- iii. The dividend relevance model is based on the assumptions of: **1**  
 (a) Efficient market hypothesis  
 (b) Modigliani-Miller theorem  
 (c) Perfect capital markets  
 (d) Risk-neutral investors
- iv. The M&M Model assumes that: **1**  
 (a) Investors have perfect information  
 (b) There are no bankruptcy costs  
 (c) Taxes have no impact on firm value  
 (d) All of these
- v. The term "acquisition" refers to: **1**  
 (a) The purchase of assets or equity interests in another company  
 (b) The sale of a company's assets  
 (c) The dissolution of a company  
 (d) The merger of two companies to form a new entity

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- vi. Which of the following is NOT a strategy to finance mergers and acquisitions? **1**  
 (a) Cash payment  
 (b) Stock payment  
 (c) Debt financing  
 (d) Liquidation of the acquiring company
- vii. Working capital management primarily involves the management of: **1**  
 (a) Fixed assets (b) Current assets and liabilities  
 (c) Long-term debt (d) Equity financing
- viii. The goal of working capital management is to: **1**  
 (a) Maximize profitability  
 (b) Minimize liquidity  
 (c) Minimize the risk of insolvency  
 (d) Increase fixed assets
- ix. Which of the following is NOT a type of derivative? **1**  
 (a) Options (b) Futures (c) Stocks (d) Forwards
- x. What is a futures contract? **1**  
 (a) An agreement to buy or sell an asset at a specified price on a future date  
 (b) An agreement to exchange currencies at a specified rate on a future date  
 (c) An agreement to buy or sell an asset at the current market price  
 (d) An agreement to lend money at a specified interest rate
- Q.2 i. Explain the different types of security. **2**  
 ii. What do you mean by capital market? Explain in brief. **3**  
 iii. What are the primary sources of funds for businesses? **5**  
 OR iv. Discuss the differences between market value and intrinsic value in stock valuation. **5**
- Q.3 i. What do you mean by lease contract? **2**  
 ii. Explain in detail Miller and Modigliani model. **8**  
 OR iii. How does a company decide whether to issue cash dividends or stock dividends? **8**

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- Q.4 i. What are the differences between mergers and acquisition? **3**  
 ii. Explain the various factors of corporate failure. **7**  
 OR iii. Write short note on: **7**  
 (a) Shares split (b) Cancellation of paid-up capital
- Q.5 i. What are the components of working capital? **4**  
 ii. Explain monitoring and control of working capital. **6**  
 OR iii. What is inventory management? Why is it important for businesses? **6**
- Q.6 i. Explain the concept of futures contracts. **2**  
 ii. Explain the binomial model and the Black-Scholes model in pricing options. **8**  
 OR iii. What factors determine the price of a futures contract? **8**

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**Scheme of Marking**  
**Advance Finance CB3EL04 (T)**

Q.1	i)	d) Debentures	1
	ii)	c) Retained earnings	1
	iii)	c) Perfect capital markets	1
	iv)	d) All of the above	1
	v)	a) The purchase of assets or equity interests in another company	1
	vi)	d) Liquidation of the acquiring company	1
	vii)	b) Current assets and liabilities	1
	viii)	c) Minimize the risk of insolvency	
	ix)	c) Stocks	1
	x)	a) An agreement to buy or sell an asset at a specified price on a future date	1
	xi)		1
Q.2	i.	Types of Security ( 0.5 Each )	2
	ii.	Explanation of Capital Market ( in brief) (3 mark)	3
	iii.	Primary sources of funds for businesses. (1 mark for each Source)	5
OR	iv.	differences between market value and intrinsic value in stock valuation (1 mark for one Difference)	5
Q.3	i.	Meaning of Lease Contract. 2 Mark	2

	ii.	Miller and Modigliani Model 8 Mark	8
OR	iii.	How does a company decide whether to issue cash dividends or stock dividends? Explain ( as per Explanation)	8
Q.4	i.	Difference between mergers and Acquisition. ( 1 Mark for each different)	3
	ii.	What factors can contribute to corporate failure ( 1 Mark for one Factor)	7
OR	iii.	What is a share split, (3.5 Mark) How does it differ from a stock dividend (3.5 Mark)	7
Q.5	i.	Components of Working Capital (1 Mark for each)	4
	ii.	Explain Monitoring (3 Mark) Control of Working Capital. (3 Mark)	6
OR	iii.	What is inventory management, ( 3 Mark) why is it important for businesses ( 3 Mark)	6
Q.6			
	i.	Explain the concept of futures contracts.	2
	ii.	Explain the binomial model (4 mark) and the Black-Scholes model in pricing options. (4 Mark)	8
	iii.	What factors determine the price of a futures contract? ( 1 Mark for each Factor)	8

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