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3. Holding Company					
	3. Holding Company				
C) Direct Questions. (Each of 1 Mark):	C) Direct Questions. (Each of 1 Mark):		[04]		
1. What is the meaning of MBO and MBI?			[0.1]		
2. Explain the meaning of capital structure.					
<ul><li>3. What do you mean by NI Approach?</li><li>4. Explain Equity curve out.</li></ul>					

(a) Explain capital structures in details and various factors for determining capital structure. [07] (b) The following data relate to the company A and B, which are homogeneous group: [08]

	Company A	Company B
Net Operating Income	Rs. 200,000	Rs. 200,000
Overall Cost of Capital	12.5%	12.5%
8% Debenture	Rs. 8,00,000	Nil

1. Value of the companies under NOI and cost of equity capital

2. Determine the value of firm under traditional approach assuming cost of equity capital for company A is 14% and for Company B is 11%

- (a) Explain the meaning of corporate restructuring and reasons for corporate restructuring
- **(b)**A company is considering an investment proposal to install a new machine. This project will cost Rs.1,00,000 and will have 5 years life with 20,000 salvage value on 5<sup>th</sup> year. The cost of fund is 10%. The company follows straight line method of depreciation. The earnings before depreciation and tax as follows:

Year	1	2	3	4	5
Cash Flow	20000	22000	28000	30000	50000
PVF @ 10%	0.909	0.826	0.751	0.683	0.621

(C)Machine A costs Rs. 1,00,000 payable immediately. Machine B costs Rs. 1,20,000 half payable immediately and half payable in one year's time. The cash receipts expected are as follows:

Year (at the end)	A	В
1	20,000	
2	60,000	60,000
3	40,000	60,000
4	30,000	80,000
5	20,000	

With 10% interest which machine should be selected? Why?

\*\*\*\*\*All The Best\*\*\*\*