

Ex/PG/ECO/42/81/2018

MASTER OF ARTS EXAMINATION, 2018

(2nd Year, 4th Semester)

ECONOMICS

CORPORATE FINANCE & FINANCIAL INSTITUTIONS

Time : Two hours

Full Marks : 30

Answer any three of the following questions.

1. Prove the pecking order hypothesis that emerges under asymmetric information. 10
2. Using a suitable theoretical framework show how the capital structure can work as a signaling mechanism. 10
3. (a) State and prove the Modigliani-Miller dividend irrelevance hypothesis
(b) Provide the different economic logics that have been offered for and against dividend payouts. 5+5
4. (a) Discuss the free rider problem associated with take-over bids.
(b) Explain the factors that can potentially mitigate this problem of free riding. 5+5