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School of Finance and Commerce
Master of Business Administration in Financial Management
Mid Term Examination - Nov 2023

Duration : 90 Minutes
Max Marks : 50

Sem I - H1PE104B - Financial Management

General Instructions

Answer to the specific question asked

Draw neat, labelled diagrams wherever necessary

Approved data hand books are allowed subject to verification by the Invigilator

- 1) Explain the Financial Risk. K2 (2)
- 2) List various factors affecting the capital budgeting decisions. K1 (3)
- 3) Explain Payback Period. State the limitations of Pay Back Period. K2 (4)
- 4) " Financial Management is more than procurement of funds". Describe the responsibilities of a Finance Manager. K2 (6)
- 5) Assume that it is now Jan 1, 2023 and Shyam needs Rs10,000 on Jan 1, 2026. His bank compound interest at an 9 % annual rate. Calculate How much he deposit on Jan 1, 2023 to have a balance of Rs 10,000 on Jan 1, 2026 B) If he wants to make equal payments on each Jan 1 from 2023 through 2026 to accumulate the Rs 10,000 how large must each of 4 payments be? K3 (6)
- 6) How would you apply the concept of long-term investment decision in your day to day life. State out the principles of long term investment decisions. K3 (9)
- 7) XYZ Ltd has to replace one of its machine for which it has the following options: a) Installation of equipment 1 having cost of Rs 75,000 which is expected to generate a cash inflow of Rs 20,000 p.a. for next 6 years. B) Installation of equipment 2 having cost of Rs 50,000 which is expected to generate a cash inflow of Rs 18,000 p.a. for next 4 years. Analyze which equipment should be preferred if the company adopts method of i) PayBack Period ii)NPV method, discount rate @ 10%. K4 (8)

- 8) Nikita Ltd is planning to start a project which is required an outlay of Rs 20,00,000 for the purchase of machine having a life of 10 years. It is expected to generate year ending profit(before depreciation and taxes) of Rs 400,000, Rs 300,000 Rs 200,000, Rs 100,000, Rs 350,000, Rs 250,000, Rs 400,000, Rs 200,000, Rs 300,000, Rs 250,000 from the end of first through the end of 10th year. Assuming company pays income tax @ 40% and uses SLM of depreciation with no salvage value. i) You are required to compute: Average Rate Of return. ii) Analyze the investment whether to accept or reject, when minimum required rate of return is 15%

K4 (12)

OR

The following are the net cashflows of Project X and Y . Both projects have a discount rate of 10%. Table . Examine the projects by calculating expected NPV for each project B) Calculate Present Value of expected cashflows by using 15 % discount rate. C) Which project is preferable.

K4 (12)

Year End	Project X	Project Y
	Cashflows	Cashflows
0	(20,000)	(20,000)
1	4000	8000
2	5000	10,000
3	6000	12,000
4	7000	15000
5	8000	5,000