

Vidya Vikas Mandal's
Shree Damodar College of Commerce & Economics, Margao-Goa
BBA, Term-III End Term Assessment-April 2023

BBCB01: Financial Management 1

Duration: 90 mins

Instructions:

Maximum Marks:25

1. Start each question on fresh page.
2. Figures to the right indicate maximum marks.

Q1) Prestige Ltd. has promised to give Mr. Lobo a sum of Rs 10,00,000 in 10 years in instalments of Rs 1,00,000 per year. Mr. Lobo is extremely excited by this idea of receiving Rs 10,00,000 in 10 years. Considering the interest rate at present is 8% what would be the value of Rs 10,00,000 today that Mr. Lobo is to receive in 10 years through instalments? **(5 marks)**

Q2) (a) BM Papers Pvt Ltd is planning to invest in new machinery which has a life of 5 years. The cost of this machine is Rs 20,00,000(20 lakhs). The cashflows generated by the new machine are given below. Calculate the IRR on this investment. **(5 marks)**

Year	Cashflows (In Rs)
0	(2000000)
1	300000
2	400000
3	500000
4	600000
5	800000

OR

Q3(b) ClearVision Consultants is considering a new project that requires an initial investment of Rs. 5,00,000. The expected cash inflows and interest rates from the project are as follows:

	Cash inflows in Rs	Interest rates in %
Year 0	(5,00,000)	
Year 1	1,50,000	4
Year 2	1,80,000	6
Year 3	2,30,000	8
Year 4	2,80,000	10
Year 5	3,50,000	12

Calculate the Net Present Value (NPV) of the project.

(5 marks)

- Q4) The position of Finance Manager at SmartMoves Logistics has been vacant since the past 6 months. During this time the company has been facing cash crisis which is affecting the operations of the company. Explain what could be the reason for these financial issues faced by the company in the past 6 months?
(3 marks)

- Q5) Velmier Dairy enterprise has been presented only with the following data based on which they need to select the best project in terms of profitability. Evaluate using a suitable method which project they should choose.
(3 marks)

Project	NPV	PV(inflows)	Initial investment
A	1,78,280	24,78,280	10,50,000
B	1,50,000	12,50,000	5,40,000
C	1,00,000	9,24,000	4,20,000

- Q6) PureLife products has recently raised Rs 50,00,000 by liquidating 25% of its equity by issuing 10,000 shares at Rs 500 per share. At the same time RBI has issued government securities with a yield of 6%. If the β (Beta) of the stock is 1.8 and the expected return by the market is 20% what is the rate of return a company has to pay to equity investors?

Also, if the weight allotted to equity capital is 0.67, calculate the Weighted Cost of Capital.
(5 marks)

- Q7) Kumar had lent a sum of Rs 50,000 to his friend Rakesh. But in recent times Rakesh is in a very poor financial condition due to his spending habits. Kumar has demanded Rakesh to return his money back to which Rakesh has given Kumar 2 options.
(4 marks)

Option 1: Kumar has the option to receive Rs 30,000 today

Option 2: Kumar has the option to receive Rs 60,000 in 3 years:

If the interest rate is 11% per year in the market, which option Kumar should consider?
