BRAINWARE UNIVERSITY

Term End Examination 2023
Programme – MBA-2020/MBA-2021
Course Name – Project Appraisal and Finance
Course Code - FM302
(Semester III)

Full Marks : 60

Time : 2:30 Hours

[The figure in the margin indicates full marks. Candidates are required to give their answers in their own words as far as practicable.]

Group-A

(Multiple Choice Type Question)

1 x 15=15

1. *Choose the correct alternative from the following :*

(i) Write arrangement that allows a firm to use and control assets without buying and owning them

a) Leasing
b) Factoring
c) Hire purchase
d) Venture capital

(ii) Choose from alternatives below, short term promising notes with a fixed maturity period, issued by reputed corporations.

a) Note lending
b) Letter of credit
c) commercial paper
d) public deposits

(iii) State the year in which Tandon committee was appointed by RBI.

a) 1980
b) 1979
c) 1974
d) 1986

(iv) Identify which one below is Project formulation phase.

a) Definition phase
b) evaluation phase
c) conception phase
d) monitoring phase

(v) Determine most appropriate group of factor like market share, demand and supply, competition, etc.

a) Financial factors
b) competitive factor
c) economic factors
d) market factors

(vi) For evaluating a project, acceptable debt equity ratio is

a) Exactly 1:2
b) Should not exceed 1:2
c) Should not exceed 2:1
d) All of these

(vii) Relate with the capital budgeting method where NPV become zero

a) Accounting rate of return
b) Internal rate of return
c) Net rate of return
d) Present rate of return

(viii) Identify IRR is used for

a) Balance sheet
b) Marketing policy
c) Liquidity
d) Capital budgeting

(ix) Select the correct statement on Capital Budgeting Decisions.

a) Reversible
b) Irreversible
c) Unimportant
d) All of these

(x) Identify from the understated items which one is included in the Cash Inflows of a project.

a) Tax Shield of Depreciation
b) Raising of Funds
c) After-tax Operating Profits
d) Both Tax Shield of Depreciation and After-tax Operating Profits

(xi) Analyse the situations where net present value method and the internal rate of return method will always yield the same decision when

a) a single project is evaluated
b) mutually exclusive projects are evaluated
c) a limited number of projects must be selected from a large number of opportunities
d) All of these are correct

(xii) Apply your knowledge and show how firm will rank the project where capital must be rationed.

a) net present values
b) Internal rate of return
c) Profitability index
d) external rate of return

(xiii) Describe Internal rate of return.

a) Rate at which discounted cash inflow is more than discounted cash outflow
b) Rate at which discounted cash inflow is less than discounted cash outflow
c) Rate at which discounted cash inflow is equal to the discounted cash outflow
d) Rate at which discounted cash inflow is more than discounted cash outflow and Rate of discounted cash inflow is less than discounted cash outflow

(xiv) Describe Turned around strategies of a project.

a) Transfer the running project in to profit
b) Transfer the staff in and around the company's head office
c) Turn down the managing director of a company
d) None of these

(xv) Write responsibility (ies) of the project manager

a) Budgeting and cost control
b) Allocating resources
c) Tracking project expenditure
d) All of these

Group-B
(Short Answer Type Questions)

3 x 5=15

2. Social cost benefit analysis is a must before acceptance of a project- explain (3)
3. Explain crushing of cost of a project with an example. (3)
4. Discuss primary security (3)
5. Capital budgeting is an important criteria of selecting a project- analyze this statement, (3)
6. Apply the concept to explain value addition through diversification. (3)

OR

Explain needs of calculating estimated and projected demand before preparing a report. (3)

Group-C
(Long Answer Type Questions)

5 x 6=30

7. Discuss in detail Bass Diffusion Model. (5)

8. Use of single discounting rate may result into selection of risky project and rejection of safe project. Justify it. (5)

9. ◆Explain reasons for using single discounting rate. (5)
10. Explain the relation between equity beta and asset beta. (5)

11. State differences between external and internal finance. (5)
12.1. A project involving an outlay of Rs.10 million has following benefits associate with it. (5)

Year 1		Year 2		Year 3	
Cash flow (Rs.million)	Probability	Cash flow (Rs.million)	Probability	Cash flow (Rs.million)	Probability
4	0.4	5	0.4	3	0.3
5	0.5	6	0.4	4	0.5
6	0.1	7	0.2	5	0.2

Assume that cash flows are independent. Calculate expected net present value and the standard deviation of net present value assuming that i=10%

OR

Explain certainty equivalent method. (5)

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