

(Following Paper ID and Roll No. to be filled in your Answer Book.

**PAPER ID :** 9115/  
9316

**Roll  
No.**

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## Int. LLB Examination 2014-15

(Third Semester)

### FINANCIAL MANAGEMENT AND PROJECT MANAGEMENT

*Time : 3 Hours*

*[Maximum Marks : 100*

**Note :—**Attempt all questions.

1. Write short notes on any four of the following : 20
  - (a) Venture capital financing
  - (b) Capital structure
  - (c) Capital Asset Pricing Model
  - (d) Working Capital
  - (e) Life cycle phases of project
2. Attempt any two of the following : 20
  - (a) What are the finance functions or decisions performed by a Finance Manager? Describe each in detail.

**[P. T. O.]**

- (b) Your father has promised to give you Rs. 1,00,000 in cash on your 25th birthday. Today is your 16th birthday. He wants to know two things.
- (i) If he decides to make annual payments into a fund after one year, how much should he invest each year if the fund pays 8 percent?
  - (ii) If he decides to invest a lump sum in the account after one year and let it compound annually at 8% how much should he invest?
- (c) What are the various sources of finance? Explain features of ordinary shares and debentures.
3. Attempt any two of the following : 20
- (a) The initial cash outlay of a project is Rs. 5,00,000 and it can generate cash inflows of Rs. 1,90,000 Rs. 1,70,000 Rs. 1,60,000 and Rs. 1,20,000 in year 1 through 4. Calculate the projects payback period. If the opportunity cost of capital is 10%. What will be the Discounted payback period.
  - (b) What is the Net Present Value of the following cash stream if the discount rate is 14%? Also calculate the Profitability Index of the same:

Year	Cash Flow
0	5000
1	6000
2	8000
3	9000
4	8000

- (c) Define Degree of Operating Leverage and Degree of Financial Leverage. Consider the following information for a Company :

Description	Rs. (In Lakh)
EBIT	1120
PBT	320
Fixed Cost	700

Calculate :

- (i) Degree of Operating Leverage
  - (ii) Degree of Financial Leverage
4. Attempt any two of the following : 20
- (a) What is weighted average cost of capital? Describe MM Hypothesis on the relevance of Capital Structure.

- (b) What are the objectives of a firm in holding cash? describe each in detail.
- (c) What is operating Cycle of business? What role does inventory play in this cycle?

5. Attempt any two of the following : 20

- (a) What do you understand by location and site? How is the location and site of a project selected?
- (b) What is meant by Demand Forecasting? Discuss the qualitative methods of Demand Forecasting.
- (c) The cash flows associated with two projects P and Q are as follows :

**Net Cash flows**

Year	P	Q
0	(2000)	(2000)
1	1400	500
2	600	1100
3	400	900

Calculate the NPV of each project at discount rate of 10%. Which project would you choose and why?

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