

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

PAPER ID : 9115

Roll
No.

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Int LLB. Examination 2013-2014

(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 : 5 Marks each
 - (a) GDR
 - (b) IRR
 - (c) Financial Leverage
 - (d) Current Assets
 - (e) Environment appraisal of project
2. Attempt any **two** of the following : 10 Marks each
 - (a) Explain the concepts of profit maximization and shareholder wealth maximization. Which of the **two** should be the financial goal of the firm and why?
 - (b) Explain the concept of Time Value of Money. How is it related to the concept of risk?
 - (c) What is a Mutual Fund? What are its advantages?

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3. Attempt any **two** of the following : 10 Marks each

- (a) The initial cash outlay of a project is Rs. 10,00,000 and it can generate cash inflows of Rs. 3,80,000, Rs. 3,40,000 Rs. 3,20,000 and Rs. 2,40,000 in year 1 through 4. Calculate the project's 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 15%? Also calculate the profitability index of the same :

Year	0	1	2	3	4
CashFlow	-40000	12000	16000	18000	16000

- (c) Define Degree of Operating Leverage.

Consider the following information for two companies A and B :

Firm	Sales (Rs. lakh)	Variable Cost (Rs. lakh)	Fixed Costs (Rs. lakh)
Firm A	1800	450	900
Firm B	1500	750	375

Calculate for both firms :

- (i) Break-even point
- (ii) Degree of operating leverage

4. Attempt any **two** of the following : 10 Marks each

- (a) Calculate the cost of capital of company X (WACC) using the following data :

Debt=1 crore, Equity=2 Crore

The covariance between the security X and the market portfolio is 4.0 and the standard deviation of market portfolio is 1.5.

Assume the following :

5 year government bond yield =8%

Treasury bill yield=6%

Cost of debt=8%

Market return=12%

Tax rate=35%.

- (b) What is working capital management? What are the conflicting objectives the company needs to balance in WCM?
- (c) What is receivables management? How does factoring help in receivables management?

5. Attempt any **two** of the following : 10 Marks each

- (a) How is feasibility study of projects done? What are the various ways of arranging for financing of projects?

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- (b) "The social-cost-benefit analysis (SCBA) is essential to assess the viability of projects in developing countries." Discuss the above statement and also explain the significance of such an analysis.
- (c) A company has to choose from three mutually exclusive projects with the following cash flows :

	Cash flows in Thousands			
Project	C0	C1	C2	C3
L	-50	30	25	20
M	-25	10	20	10
N	-25	10	15	15

Which projects should the company choose according to NPV rule if the opportunity cost of capital is 10%?
