



DNYANSAGAR INSTITUTE OF MANAGEMENT AND RESEARCH

CONCURRENT EVALUATION

MBA - SEMISTER II

FINANCIAL MANAGEMENT (202)

Faculty Name: Prof. Priyanka Shinde

Important Instructions:

The subject is evaluated on the basis of three components

Component No	Component	Marks	Submission Instructions	Submission Date
1	Situation Analysis	50	<ol style="list-style-type: none">Students are required to submit by own hand written and it should be in your own words.On the top of the file write your name, class, semester and contact number.	8th July 2022
2	Written Home Assignment / Internal Exam	50	Dnyansagar Institute of Management & Research	-----
3	Online Exam (MCQs)	50		-----

Component No	Situation Analysis	Submission Date :
1		8 th July 2022

Situation Analysis -I

- Assume that you are running a private school.
- You are considering the purchase of six school buses to transport students to and from school events.
- The initial cost of the buses is ₹.600,000. The life of each bus is estimated to be five years, after which time the vehicles would have to be scrapped with no salvage value.
- The school’s management team has derived the following estimates for annual revenues and cost for the next five years.

YEAR	REVENUE	DRIVER’S COST/ EXPS.	Repairs & Maintenance	Other Cost	Annual Depreciation
1	330,000	33000	8000	130000	120000
2	330000	35000	13000	135000	120000
3	350000	36000	15000	140000	120000
4	380000	38000	16000	136000	120000
5	400000	40000	18000	142000	120000

1. Because schools are exempt from taxes, the school’s corporate tax rate is 0 percent.
2. Prepare a table showing the estimated net cash flows for each year of the project. Explain all steps involved in your calculation of the Year 1 estimated net cash flow.
3. Calculate the project’s Payback Period. Explain in your own words, all steps involved in the calculation process.
4. Calculate the project’s Internal Rate of Return (IRR). Explain in your own words, all steps involved in the calculation process.
5. Calculate the project’s Net Present Value (NPV). Explain in your own words, all steps involved in the calculation process.

Which is the three evaluation techniques that you computed (i.e., payback period, IRR and NPV), should the firm use to make its decision of whether or not to accept this project? Why? Is one of these techniques better than the others and if so, why? – Explain in your Own Word.

Finally, what are some risk factors inherent in this capital budgeting analysis? That is, make a list of at least three items that could cause the outcome of this project to be substantially worse than management currently expects (as reflected in their revenue and cost estimates Fully explain each of the risk factors you identify.

Situation Analysis- II

1. Assume that you are the Finance Manager of the TATA company.
2. Company wants Net working Capital amount of the company and you have to give information about the Net Working Capital requirement of your company from the information available as follow

Particulars	Cost Per Unit (₹)
Raw material	500
Direct Labour	300
Overhead (Excluding Depreciation)	200
<u>Additional Information</u>	
Selling Price	₹. 1200 PER UNIT
Production	52000 Units P.a.
Raw material in stock	Average 5 weeks
Work -in -Progress (Assume 50% Completion Stage)	Average 2 weeks
Credit Allowed by suppliers	Average 4 Weeks
Credit allowed to debtors	Average 8 Weeks
Lag in payment of Wages	Average 2 Weeks
Lag in payment of Overheads	Average 1 week

3. Assume that you have Cash Balance is ₹. 100000, Assume production carried out evenly during the year and 52 weeks in the year.
4. Assume that sales are on credit basis.
5. You have to calculate net working capital requirement with the assumption of 10% margin.

Situation Analysis :-III

1. You are considering an investment proposal to start new Boiler venture whose cost of capital is 10%.
2. Assume that you have four exclusive proposals of some boiler companies i.e. of ROSS Boilers, SGM TECH Manufacturer, THARMAX Boiler, FORBES MARSHALL. On the basis of initial investment you are expecting cash inflows of next 5 years as follows :

	ROSS BOILER	SGM TECH Ltd	THERMAX	FORBES
	(₹)	(₹)	(₹)	(₹)
Investment	70000	75000	80000	90000
Cash Inflows				
1 st year	10000	50000	30000	35000
2 nd Year	20000	40000	35000	45000
3 rd Year	30000	20000	40000	48000
4 th Year	45000	10000	50000	55000
5 th Year	60000	10000	50000	50000

3. You have to compute the NET Present value at 10% & profitability Index for the 4 proposals for the betterment of your company.
4. On the basis of NPV and Profitability index, which company's proposal would you like to select for your company?
5. Tell the reason why you have selected the specific proposal?
6. Why didn't you select other proposals?
7. If you had selected other proposals, what it will be the impact on your business – Write in your own words.

Situation Analysis :-IV

1. Assume that You are the owner of Parle- G- Company.
2. You have the following details of capital structure as on 31 March 2022.

Particulars	Amount
Equity Share capital (200000 Shares)	40,00,000
11.5% Preference Shares	10,00,000
10% Debenture	30,00,000

3. Assume that company need funds so for the same reason you are raising funds by issuing addition 20 lakhs Debenture @12%.
4. If you are raising debt, then what would be the result of equity dividend- write in your own words.
5. Assume that growth rate is unchanged but the price of equity share will fall to ₹.16 per share.
6. You are considering that the equity share of the company sells for Rs. 20 with the expectation that the company will pay next year dividend of Rs.2 per equity share, which is expected to grow @5% p.a. forever.
7. Assume corporate tax rate @35%
8. On the basis of the above information according to you what will the cost of capital rate of your company.
9. After computing the cost of capital, write your own opinion about how you will accept the investment opportunities which is available in front of you?
10. Write you own decision about the decision of Capital budgeting and how it will be affected on your company and market.

Situation Analysis-V

One duty of a financial manager is to choose investments with satisfactory cash flows and rates of return. Therefore, a financial manager must be able to decide whether an investment is worth undertaking and be able to choose intelligently between two or more alternatives. To do this, a sound procedure to evaluate, compare, and select projects is needed. This procedure is called capital budgeting.

Virtually all general managers face capital-budgeting decisions in the course of their careers. The most common of these is the simple “yes” versus “no” choice about a capital investment. Regardless of the type of project, however, certain principles of capital budgeting should always be considered. The most important of these principles are:

- Focus on cash flows, not profits.
- Focus on incremental cash flows.
- Account for time.
- Account for risk.

Write an essay discussing the meaning and importance of each of these principles as they apply to capital budgeting. Evaluate the importance of each principle and discuss the consequences of ignoring any of these principles.

Component No	Written Home Assignment	Submission Date :
2	/ Internal Exam	-----

Do Refer Suggested Text Books:

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1. Financial Management, Shashi K. Gupta and R.K. Sharma (Kalyani Publication)
2. Basics of Financial Management, V.K. Saxena and C.D.Vashist (Sultan Chand & Sons)
3. Financial Management, A Contemporary Approach, Rajesh Kothari (SAGE)
4. Financial Management, Dr. Mahesh Abale & Dr. Shriprakash Soni (Himalaya Publishing House Pvt. Ltd.)
5. Working Capital Management, Theory and Practice, Dr. P. Periasamy (Himalaya Publishing House)
6. Financial Management, I M Pandey (Vikas Publishing House Pvt. Ltd)
7. Fundamentals of Financial Management, A.P.Rao (Everest Publishing House)
8. Advanced Financial management, N.M. Vechalekar
9. Financial Management, Rajiv Srivastava and Anil Misra (OXFORD University Press)
10. Financial Management, Ravi Kishore (Taxmann)
11. Financial management, V.K. Bhalla (S. Chand)
12. Financial Management, Jonathan Berk, Peter DeMarzo and Ashok Thampy (Pearson Publication)

Component No	MCQ Based Online Exam
3	

COMPONENT 3: MCQ Based Online Exam

Online Exam for all units will be conducted on our website through online exam portal.