

2207M042

**Master of Vocation
Management Entrepreneurship
Subject: Project Finance - II
Subject Code: MENT-809
Semester: Second
July 2022
Theory (External): 70 Marks
Time: 03 Hours**

Instructions to the Students

1. This Question paper consists of two Sections. All sections are compulsory.
2. Section A comprises 10 questions of objective type in nature. All questions are compulsory. Each question carries 2 marks.
3. Section B comprises 8 essay type questions out of which students need to do any 5. Each question carries 10 marks.
4. Read the questions carefully and write the answers in the answer sheets provided.
5. Do not write anything on the question paper.
6. Wherever necessary, the diagram drawn should be neat and properly labelled

Roll Number

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SECTION –A (SHORT/OBJECTIVE TYPE QUESTIONS)
(10x2=20 Marks)

- A. The process of calculation future value of cash flows is known as
- Discounting
 - Compounding
 - Both of these
 - None of these
- B. The method that converts the amount of present cash into an amount of cash of equivalent value in future is
- Budgeting
 - Discounting method
 - Both
 - Compounding method
- C. Given an investment of Rs.10,000 for a period of one year, it is better to invest in a scheme that pays:
- 12% interest compounded annuity
 - 12% interest compounded quarterly
 - 12% interest compounded monthly
 - 12% interest compounded daily
- D. Suppose that a firm has 20% debts and 80% equity in its capital structure. The cost of debts and cost of equity are assumed to be 10% and 15% respectively, what is the overall cost of capital?
- 11%
 - 12%
 - 13%
 - 14%
- E. During which stage of Risk planning are risks prioritized based on probability and impact?
- Identify Risks
 - Plan Risk responses
 - Perform Qualitative risk analysis

- d. Perform Quantitative risk analysis
- F. Five of the processes in Project Risk Management are from which process group?
- a. Initiating
 - b. Planning
 - c. Executing
 - d. Monitoring and Control
- G. In which year, first special-purpose simulation languages were developed?
- a. 1940
 - b. 1960
 - c. 1970
 - d. 1980
- H. Which of the following is not weakness of Decision Tree ?
- a. able to generate understandable rules
 - b. can be computationally expensive to train
 - c. less appropriate for estimation tasks
 - d. prone to errors in classification problems with many class
- I. The UNIDO project evaluation technique consists of
- a. Assessment of the proposal's market performance at market values.
 - b. Determining the net benefit from a financial perspective.
 - c. Adaptation to account for the development's implications on savings and investment.
 - d. All of above
- J. Statement of cash flows includes
- a. Financing Activities
 - b. Operating Activities
 - c. Investing Activities
 - d. All of the Above

SECTION -B (ESSAY TYPE QUESTIONS)

(5x10= 50 Marks)

1. What is the consideration of time important in financial decision-making? How can time value be adjusted? Illustrate your answer.
2. What is an annuity due? How can you calculate the present and future values of an annuity due? Illustrate.
3. Susheel corporation has the following book value capital structure:

Equity capital (10 million share, Rs. 10 par)	Rs.100 million
Preference capital, 11% (100,000 shares, Rs.100 par)	Rs.10 million
Retained earnings	Rs.120 million
Debentures 13.5 % (500,000 debentures, Rs.100 Par)	Rs.50 million
Term loans, 12%	Rs.80 million
Total	Rs.360 million

The next expected dividend per share is Rs.1.50. the dividend per share is expected to grow at the rate of 7%. The market price per share is Rs.20.00. Preference stock, redeemable after 10 years, is currently selling for Rs.75.00 per share. Debentures, redeemable after 6 years, are selling for Rs.80.00 per debenture. The tax rate for the company is 50 percent.

- a) Calculate the average cost of capital using.
 - b) Book value proportions, and
 - c) Market value proportions.
4. What are the common misconceptions surrounding cost of capital in practice? How would you dispel them?

5. Discuss the initiatives taken to improve the quality of public investment decision making in India.
6. A Government is considering whether it should close down the branch line passenger service from station A to station B. No goods are currently carried by rail. The chief accountant of the government estimates the annual cost of train movement, track maintenance, signaling, and other expenses to be Rs.1,520,000, including Rs.120,000 toward depreciation and interest charges.

If the line were closed at any time, the diesel train operating on it could be sold to another country for Rs.240,000. Nothing else has any re-sale value. The line is used for 1,000 single journeys each day (250 days per year). The single fare is Rs.4.00. so the line is losing money, a deficit met by taxation.

If the line closed, it is estimated that of the former journeys, 800 will be made by bus (at the same fare), and 200 will not be made. The bus fare is the same as the rail fare and the extra bus fares exactly offset the bus operations' extra cost. Bus journey takes an average of 40 minutes longer than the rail journey. The average value of passengers' time is Rs.2 per hours. Enumerate the social costs and benefits associated with the proposal.

7. How does a venture capital investment differ from an investing in the equity of an established firm listed on a stock exchange?
8. Critically evaluate the integer linear programming model as a tool for capital budgeting.

==END OF PAPER==