



DOON UNIVERSITY, DEHRADUN
Mid Semester Examination, Second Semester 2014
School of Management
IMBA 5 year (3rd semester)
Course: IMBA – 303: Financial Management

Time Allowed: 1½ Hours

Maximum Marks: 30

Note: Attempt All Questions from Sections A,B,C.

Section A: Read the following case and answer below. (10 marks)

A firm whose cost of capital is 10% is considering two mutually exclusive proposals X and Y, the details of which are as follows:

Particulars	Project X (Rs)	Project Y (Rs)
Initial Investment	15,00,000	15,00,000
Cash inflow		
1 st year	1,00,000	1,50,000
2 nd year	2,50,000	2,00,000
3 rd year	3,50,000	6,00,000
4 th year	5,50,000	5,75,000
5 th year	7,50,000	5,25,000
Total	20,00,000	20,50,000

Calculate the following for both the projects:

- a) Pay-back period
- b) Net present value at 10%
- c) PI at 10%

Rank the projects and find the best project to invest.

Section B: Define the following (not more than 40 words).

(1x5=5 marks)

- a) Cost of Capital.
- b) Non Recurring financial function.
- c) IRR.
- d) ARR
- e) Time value of money.

Section C: Attempt any two questions. All questions carry the equal marks.

(7.5x2=15 marks)

- a) Explain the principles of the financial management.
- b) Explain cost of debt.
- c) Explain cost of equity.