

# Gandhi Institute of Engineering and Technology University, Odisha, Gunupur (GIET University)



B. Tech (Fifth Semester - Regular) Examinations, November – 2024

## 22BHSMS65001 – Financial Management

(Civil Engineering)

Time: 3 hrs

Maximum: 70 Marks

**Answer ALL questions**

(The figures in the right hand margin indicate marks)

### PART – A

(2 x 5 = 10 Marks)

Q.1. Answer **ALL** questions

- |  | CO # | Blooms Level |
|--|------|--------------|
| a. Define time value of money.   | CO1  | K2           |
| b. A project requires a cash outlay of Rs 50,000 and generates cash inflows of Rs 20,000, Rs. 17,500, Rs 10,000 and Rs. 7,500 during the next 4 years. Find the project's payback. | CO3  | K3           |
| c. What is capital structure?  | CO4  | K1           |
| d. Define debt-equity ratio.   | CO4  | K2           |
| e. What is circulating capital?  | CO5  | K1           |

### PART – B

(15 x 4 = 60 Marks)

Answer **ALL** the questions

- |   | Marks | CO # | Blooms Level |
|---|-------|------|--------------|
| 2. a. Your father has promised to give you Rs 1,00,000 in cash on your 25 <sup>th</sup> birthday. Today is your 20 <sup>th</sup> birthday. He wants to know two things:<br>(a) If he decides to make annual payments into a fund after one year, how much will each have to be if the fund pays 8 percent?<br>(b) If he decides to invest a lump sum in the account after one year and let it compound annually, how much will the lump sum be?<br>(c) If in (a) the payments are made in the beginning of the year, how much will be the value of annuity? | 8     | CO1  | K4           |
| b. What are the basic financial decisions? Discuss it in detail.<br>(OR)  | 7     | CO1  | K1           |
| c. Discuss in detail the goals of financial management.   | 8     | CO1  | K2           |
| d. A company has to replace a present facility after 15 years at an outlay of Rs 5,00,000. It plans to deposit an equal amount at the end of every year for the next 15 years at an interest rate of 18% compounded annually. Find the equivalent amount that must be deposited at the end of every year for the next 15 years.   | 7     | CO1  | K3           |
| 3.a. What is capital budgeting? Discuss the various discounted cash flow techniques with their acceptance rule.   | 8     | CO3  | K1           |
| b. A company is considering the following mutually exclusive investment project with discount rates of 10 and 30 per cent.  | 7     | CO3  | K4           |

	Cash Flows (Rs)			
Projects	C0	C1	C2	C3
A	-10,000	7,500	7,500	***
B	-10,000	10,000	3,000	3,000

Comment which project should be accepted by using both NPV and IRR method.

(OR)

- c. Illustrate the concept of the following 8 CO3 K2  
i) Payback period  
ii) ARR
- d. A machine will cost Rs 1,00,000 and will provide annual net cash inflow of Rs 30,000 for next six years. The cost of capital is 15 per cent. Calculate the machine's net present value and the internal rate of return. Should the machine be purchased? 7 CO3 K3
- 4.a. Briefly explain the factors that influence the planning of the capital structure in practice. 8 CO3 K2
- b. Consider the following information for Kaunark Enterprise: 7 CO3 K3

	Rs in lakh
EBIT	1120
PBT	320
Fixed Cost	700

Calculate percentage change in earnings per share if sales increased by 5 percent.

(OR)

- c. Define operating and financial leverage. How can you measure the degree of operating and financial leverage? Illustrate with an example. 8 CO2 K2
- d. Write a brief note on various sources of long-term finance. 7 CO2 K1
- 5.a. Vikas Engineering Co. Ltd., currently has one lakh outstanding shares selling at Rs 100 each. The firm has net profits of Rs 10 lakh and wants to make new investments of Rs 20 lakh during the period. The firm is also thinking of declaring a dividend of Rs 5 per share at the end of the current fiscal year. The firm's opportunity cost of capital is 10 per cent. What will be the price of the share at the end of the year if
- (i) A dividend is not declared
- (ii) A dividend is declared
- (iii) How many new shares must be issued?
- b. What are the essentials of Walter's dividend model? Explain its shortcomings. 7 CO4 K2

(OR)

- c. What do you mean by working capital? Explain in brief the concepts of working capital. 8 CO5 K1
- d. Discuss in brief the determinants of working capital. 7 CO5 K2

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