**Financial Management**

**June 2022 Examination**

**Q1. A Company is considering a proposal of installing a Manufacturing Machine. The equipment would involve a Cash outlay of Rs. 15, 00,000. The expected life of the project is 5 years without any salvage value. Below cash flow will be achieved by the organization*:***

|  |  |
| --- | --- |
| **Year** | **Cash Inflows** |
| **1** | **450000** |
| **2** | **445000** |
| **3** | **500000** |
| **4** | **523000** |
| **5** | **601000** |

**Discounting rate is 9% Find out the P.V. of Cashflows, NPV, Profitability Index and Pay Pack Period. (10 Marks)**

**Ans 1.**

**Introduction:**

A capital appraisal is a system of deciding the possibilities of funding in investment projects. These tasks may be related to acquiring the latest property based on the predicted returns from those assets. Once the capital appraisal is performed, the following step is to pick out the excellent assignment(s) based on the availability of the finances with the business. No longer all the investment tasks available with the corporation can be shared through it. An agency makes a

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**Q2. The following particulars are available in respect of three investment proposals :**

**Project A Project B Project C**

**Cost (in Rs.) 50,000 60,000 70,000**

**Annual savings (in Rs.) 15,000 16,000 17,000**

**Estimated scrap (in Rs.) 8,000 10,000 15,000**

**Life (in years)12 10 9**

**Taking interest rate to be 9% p.a. rank these proposals by using Net present value method and Profitability index method. (10 Marks)**

**Ans 2.**

**Introduction:**

Capital budgeting is the procedure of determining whether a new investment should be made or not. Such choices involve significant capital outlay and are taken after much attention. For instance, if an employer desires to purchase new equipment. The cost for the acquisition of machinery will occur nowadays, while the advantages will be realized inside the destiny. Those

**b. Why service industry requires less working capital as compare to manufacturing industry. (5 Marks)**

**Ans 3b.**

**Introduction:**

Industries within our country may be divided primarily based on ownership, capital investment, raw material necessities, position, functions, and so forth. Primarily based on functions, the industries may be majorly categorized into