**Financial Management**

**April 2023 Examination**

**1. The Jubilant Food works Ltd. has two alternative proposals under consideration. Project**

**“Vadapav” requires a capital outlay of Rs. 24,00,000 and project “Misalpav” requires Rs. 36,00,000. Both are estimated to provide a cash flow for five years:**

**Project A Rs. 8,00,000 per year and Project B Rs. 11,60,000 per year. The cost of capital is 12%. Show which of the two projects is preferable from the view point of**

**a. Net present value method**

**b. Profitability Index (10 marks)**

**Ans 1.**

**Introduction**

Jubilant meals work limited is an Indian food carrier corporation. Its headquarters are in Noida, Uttar Pradesh, which owns the grasp franchise for Domino's pizza in the USA, India, Bangladesh, and Sri Lanka, for Popeye’s in India, Nepal, Bhutan, and Bangladesh, and also Dunkin' Donuts in India. The organization additionally operates homegrown restaurant companies: Hong's kitchen and EKDUM. Jubilant food works is a part of the Jubilant Bhartiya group. It is owned and ruled with the aid of Hari Bhartiya and Shyam Sunder

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**2. From the given below calculate Weighted Average Cost of Capital. (10 Marks)**

**Cost of Debt 12% Tax Rate 30%**

**Amount of Debt Outstanding Rs.2500 lakh**

**Risk-free Rate of Return 6% Required Return of the Market 14% Stock Price Rs.50**

**Shares Outstanding 100 lakh**

**Beta 1.5**

**Ans 2.**

**Introduction**

WACC, or weighted ordinary cost of capital, can be defined as the average a firm represents after-tax capital charges from all sources, which include desired inventory, common stock, other kinds of debt, and bonds. The weighted average cost of capital is the rate a firm expects to pay to finance its assets.

WACC is a standard way to decide RRR, which is the required price of go back because it expresses, in one number, the go back that both shareholders and bondholders demand to

**3. From the given below calculate the present value of future cashflows.**

**a. What amount you will receive today, if I give you 15000 after 3 years, interest rate is 8%. (5 Marks)**

**Ans 3a.**

**Introduction**

Present value can be described as the present-day value of a future cash stream or amount of cash given a specific rate of return. Destiny cash flows are discounted at the bargain rate and the greater the cut price fee, the lower the present value of the future cash flows. Calculating the correct cut price rate is the key to correctly valuing future cash flows, whether debt

**b. What amount you will receive today, if I give you 25000 after 5 years, interest rate is 15%. (5 Marks)**

**Ans 3b.**

**Introduction**

Future fee can be defined as the fee of a current asset at a specific date in the future based on the predetermined rate of increase. The future fee equation presumes a consistent growth price and a single premature quantity left unused for the funding duration. The future price