**Financial Management**

**September 2023 Examination**

**Q1. The Zwigato has two alternative proposals under consideration. Project Food Chain requires a capital outlay of Rs. 30,00,000 and Project Ice Cream Parlor requires Rs. 50,00,000. Both are estimated to provide a cash flow for five years: (10 Marks)**

**Project Food Chain Rs. 10,00,000 per year and Project Ice Cream Parlor Rs. 15,00,000 per year. The cost of capital is 12%. Show which of the two projects is preferable from the view point of**

**(i) Net present value method**

**(ii) Profitability Index**

**Ans 1.**

**Introduction**

The primary financial concept of time value money states that the money you have got known is more precious than the cash you collect later. This is because you can use it now to earn more money by walking a business, shopping something at once and selling it later for extra, or quickly putting it inside the bank and making greater interest. The money received in the future is likewise less treasured because inflation erodes its buying energy. But how do you compare the value of cash now with the value of money in the future? This is where net present worth plays a crucial

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**Q2. As per the latest annual report Finacle Ltd, the company has an outstanding debt of Rs. 50,00,000 and equity capital valued at Rs. 10,00,000. During that period the company has incurred**

**Rs. 400,000 as interest expense on its debt.**

**The risk-free rate of return is 5%, the market return is 12% and the company’s beta is 1.5x. Calculate WACC based on the given information and if the tax rate is 30% (10 marks)**

**Ans 2.**

**Introduction**

The (WACC) weighted cost of capital may be defined as a financial ratio that measures a company's financing prices. It weighs equity and debt proportionally to their percentage of the complete capital structure. A company's executives use WACC in making decisions about a way to fund operations or tasks, and it facilitates investors to decide the minimum charge of return they're willing to accept on their money.

Companies raise capital from outside assets in essential ways: selling stock or taking on debt thru

**Q3. Solve the below given cases:**

**a. At the age of 60 years, Tansen will receive Rs. 10,000,000. He is currently 55 years old. If the current interest rate is 7%, calculate the present value. (5 Marks)**

**Ans 3a.**

**Introduction**

Present value (PV) is the modern value of a stream of cash flows or a future sum of money given a positive return charge. Destiny cash flows are discounted at the discount price, and the extra the discount rate, the lower the present value of the future cash flows. A suitable discount rate is essential to properly valuing future cash flows, whether income or debt obligations.

**b. If Rajeev invests Rs. 500,000 in a PPF that yields 9% interest, what is the future value of the PPF after five years? (5 marks)**

**Ans 3b.**

**Introduction**

Future value (FV) is the value of a current asset at a coming date based on an assumed growth rate. The future value is crucial to financial planners and buyers, as they use it to estimate how much an invested amount made these days may be well worth.

Knowing the future value allows buyers to make efficient investment selections based on their