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PRESIDENCY UNIVERSITY BENGALURU

SET A

SCHOOL OF ENGINEERING END TERM EXAMINATION - JAN 2024

Semester : Semester V - 2021

Date : 03-JAN-2024

Course Code : MGT2021

Time : 9:30AM - 12:30 PM

Course Name : Finance for Engineers

Max Marks : 100

Program : B.Tech. Computer Science and Engineering

Weightage : 50%

Instructions:

- (i) Read all questions carefully and answer accordingly.
- (ii) Question paper consists of 3 parts.
- (iii) Scientific and non-programmable calculator are permitted.
- (iv) Do not write any information on the question paper other than Roll Number.

PART A

ANSWER ALL THE QUESTIONS

5 X 2M = 10M

1. List out two examples of Fixed assets. (CO1) [Knowledge]
2. What is meant by capital budgeting? (CO2) [Knowledge]
3. What is meant by Debentures? (CO3) [Knowledge]
4. Define Working Capital ? (CO4) [Knowledge]
5. Define the term Commercial Paper. (CO4) [Knowledge]

PART B

ANSWER ALL THE QUESTIONS

5 X 10M = 50M

6. The income statement and balance sheet are two essential financial documents that collectively provide a comprehensive snapshot of a company's financial health and performance. Together, these documents assist in making informed financial decisions, tracking financial progress, and presenting a transparent financial picture to investors, creditors, and internal management, playing a crucial role in strategic planning, risk management, and accountability within the business. Describe the structure of an income statement and Balance Sheet with neat sketch. (CO1) [Comprehension]
7. Capital budgeting techniques help organizations assess the potential returns, risks, and feasibility of long-term projects or acquisitions, ensuring that resources are allocated to initiatives that align with strategic goals and deliver the highest value. These methods aid in selecting investments that maximize returns while minimizing risks, ultimately contributing to better financial performance, growth, and competitiveness in the market. Explain various capital budgeting evaluation techniques applied in the decision-making process for investment projects. (CO2) [Comprehension]

8. a) A company issues 10% irredeemable debentures of Rs. 10,000. The company is in 50% tax bracket. Calculate cost of debt capital at par, at 10% discount and at 10% premium
 b) Calculate the cost of the preference capital when preference dividends are stated as 9% of the share of Rs. 85 per share and the floatation cost as Rs 3 per share.
 c) The current dividend paid by the company is Rs. 5 per share, the market price of the equity share is Rs. 100 and the growth rate of dividend is expected to remain constant at 10%. Find out the cost of equity capital.

(CO3) [Comprehension]

9. Mahindra & Mahindra Limited (M&M) is an Indian multinational automotive manufacturing corporation headquartered in Mumbai. It was established in 1945 as Mahindra & Mohammed and later renamed Mahindra & Mahindra. Part of the Mahindra Group, M&M is one of the largest vehicle manufacturers by production in India. Its unit, Mahindra Tractors, is the largest manufacturer of tractors in the world by volume. In December 2023, Mahindra & Mahindra acquired a 60.01% stake in Emergent Solren Private Limited, a solar power generator subsidiary of Mahindra Holdings Limited, for ₹288.05 crore. Imagine you are the chief finance officer of the company. Explain various sources of financing working capital in meeting short-term financial needs of the new venture.

(CO4) [Comprehension]

10. Calculate the estimate of working capital from the information given below
 sales : 150000 units
 selling price : Rs 12 per unit
 profit on sales: 15%
 average credit time allowed to debtors: 6 weeks
 average credit time allowed by creditors: 3 weeks
 average stock holding time: 5 weeks
 add 10% for safety margin

(CO4) [Comprehension]

PART C

ANSWER ALL THE QUESTIONS

2 X 20M = 40M

11. The cash flow statement serves as a critical financial document for a company in evaluating a company's liquidity and cash management, allowing stakeholders to understand how effectively the company manages its cash resources. By delineating cash inflows and outflows, the statement helps identify potential cash flow issues, offers insights into operational efficiency, and aids in assessing a company's ability to meet short-term obligations and invest in growth opportunities. This document not only assists management in financial decision-making but also provides investors, creditors, and analysts with crucial information for evaluating a company's financial health and its capacity to generate sustainable cash flows, making it an indispensable tool for financial transparency and strategic planning. Describe the three main sections of a cash flow statement with neat sketch.

(CO2) [Application]

12. (a) A Ltd. issues Rs. 10,00,000, 8% debentures at par. The tax rate applicable to the company is 50%. Compute the cost of debt capital.
 (b) B Ltd. issues Rs. 1,00,000, 8% debentures at a premium of 10%. The tax rate applicable to the company is 60%. Compute the cost of debt capital.
 (c) A Ltd. issues Rs. 1,00,000, 8% debentures at a discount of 5%. The tax rate is 60%, compute the cost of debt capital.
 (d) B Ltd. issues Rs. 10,00,000, 9% debentures at a premium of 10%. The costs of floatation are 2%. The tax rate applicable is 50%. Compute the cost of debt-capital.
 e) A company issues 10,000 equity shares of Rs. 100 each at a premium of 10%. The company has been paying 25% dividend to equity shareholders for the past five years and expects to maintain the same in the future also. Compute the cost of equity capital. Will it make any difference if the market price of equity share is Rs. 175?

(CO3) [Application]