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**PRESIDENCY UNIVERSITY  
BENGALURU**

**G9H'B**

**SCHOOL OF ENGINEERING  
END TERM EXAMINATION - JAN 2024**

**Semester :** Semester V - B.Tech CSE - 2021

**Date :** 03-JAN-2024

**Course Code :** MGT2021

**Time :** 9:30AM - 12:30 PM

**Course Name :** Sem V - MGT2021 - 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. What is the purpose of financial statements in an organization? (CO1) [Knowledge]
2. What is accounting rate of return (ARR) in capital budgeting? (CO2) [Knowledge]
3. Define Weighted Average Cost of Capital (WACC). (CO3) [Knowledge]
4. Define Operating Cycle (CO4) [Knowledge]
5. What are Current Assets? (CO4) [Knowledge]

**PART B**

**ANSWER ALL THE QUESTIONS**

**5 X 10M = 50M**

6. Finance plays a pivotal role in every aspect of a business, serving as the lifeblood that fuels growth and sustainability. It is the guiding force behind strategic decision-making, enabling the allocation of resources, management of capital, and assessment of investment opportunities. In essence, finance is the heartbeat of a business, orchestrating the rhythm of its operations and the pursuit of its objectives, making it an integral component for success in the corporate world. Explain the nature and scope of finance for the business. (CO1) [Comprehension]
7. Capital budgeting helps companies assess the viability and potential returns of proposed ventures, guiding them in allocating their financial resources efficiently and in alignment with their overarching objectives. Capital budgeting enables management to prioritize investments, mitigate risks, and achieve a competitive edge, all while safeguarding the financial stability and growth of the organization, making it an integral component of effective financial management and strategic planning. Explain the process of capital budgeting in financial decision-making for businesses. (CO2) [Comprehension]

8. Tesla is planning to use Long-term financing instruments like Bonds/Debentures, Preference Shares and Equity Shares which enable businesses, such as to secure substantial capital for large-scale projects like building new factories or investing in R&D for innovative technologies, ensuring stable funding through periodic interest payments, allowing for expansion plans like product development, global expansion, and strategic acquisitions while rewarding shareholders through dividends and potential stock appreciation. With reference to the above context, Discuss in detail about various forms of long-term financing instruments such as Bonds/Debentures, Preference Shares, and Equity Shares in financing the business.

(CO3) [Comprehension]

9. Prepare an estimate of working capital from the following information

project annual sales :200000 units  
 selling price per unit: Rs 16  
 percentage of profit on sales: 35%  
 average credit period allowed to customers : 8 weeks  
 average credit period allowed by suppliers: 4 weeks  
 average stock holding period: 4weeks  
 add 10% for contingencies

(CO4) [Comprehension]

10. 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 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]

### PART C

**ANSWER ALL THE QUESTIONS**

**2 X 20M = 40M**

11. A project will generate the following cashflows with the following investment of Rs. 100000. Find the Payback period and Average rate of return, if the scrap value is Rs.8,000

Year	Cash inflows (Rs.)
1	10,000
2	15,000
3	20,000
4	25,000
5	30,000
6	35,000

(CO2) [Application]

12. A firm has the following capital structure and after tax costs for the different sources of funds used :

Source of Funds	Amount Rs.	After tax cost %
Debt	40,00,000	4.50
Preference Shares	20,00,000	9.00
Equity Shares	60,00,000	11.00
Retained Earnings	80,00,000	10.00
	2,00,00,000	

Calculate cost of weighted average cost of capital.

(CO3) [Application]