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## UNIT-II

4. What is Capital Budgeting? Discuss the various factors that influence the capital budgeting decisions.
5. Given below is the data on a capital project X  
 Annual cost saving- Rs. 60, 000  
 Useful life- 4 years  
 Internal rate of return-15%  
 Profitability index- 1.064  
 Salvage value- Nil

Discount factor	15%	14%	13%	12%
1 year	0.869	0.877	0.885	0.893
2 year	0.756	0.769	0.783	0.797
3 year	0.658	0.675	0.693	0.712
4 year	0.572	0.592	0.613	0.636

You are required to calculate for their project

- a) Initial cost of project
- b) Payback period
- c) Cost of capital
- d) Net Present value

## UNIT-III

6. What is cost of capital? How it is computed?
7. Company issues Rs. 10, 00,000 10% debentures at a discount of 5%. The debentures are redeemable after 5 years. Calculate before tax and after tax cost of debt, assuming the tax rate is 50%. What would be the difference if above debentures are issued at a premium of 10%.

## UNIT-IV

8. Give a critical appraisal to the traditional approach and the MM approach to the problems of capital structure.
9. Explain the concepts of working capital. What are the factors affecting working capital requirement?