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(ii) the IRR of each project.

What are the project rankings on the basis of these two investment decision rules ? Suppose that you are told that the firm's reinvestment rate is 12%. Which project should the firm choose ? (CO5)

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**B. COM. (H) (SECOND SEMESTER)
MID SEMESTER**

EXAMINATION, April, 2023

BUSINESS FINANCE

Time : 1½ Hours

Maximum Marks : 50

Note : (i) Answer all the questions by choosing any *one* of the sub-questions.

(ii) Each sub-question carries 10 marks.

1. (a) "Financial management is in many ways an integral part of the jobs of the managers." Comment. (CO1)

OR

- (b) Discuss the concept of CAPM approach for calculating the value of equity. (CO1)
2. (a) Briefly explain and illustrate the concept of time 'value of money'. (CO2)

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OR

(b) Discuss the concept of wealth maximization goal. How is it superior to profit maximization goal? (CO2)

3. (a) Summarize the term Capital Budgeting. Explain different techniques of capital budgeting. (CO3)

OR

(b) The ABC company is planning to purchase a machine known as machine X. Machine X would cost \$25,000 and would have a useful life of 10 years with zero salvage value. The expected annual cash inflow of the machine is \$10,000. Compute payback period of machine X and conclude whether or not the machine would be purchased if the maximum desired payback period of ABC company is 3 years. (CO3)

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4. (a) Evaluate the term risk and return. Also examine the relationship between risk and return. (CO4)

OR

(b) A bond of ₹ 1,000 value carries a coupon rate of 10% and has a maturity period of 6 years. Interest is payable semi-annually. If the required rate of return is 12%, calculate the value of the bond. (CO4)

5. (a) Illustrate the concept of Capital Budgeting under Risk certainty using equivalent approach. (CO5)

OR

(b) A firm has a capital budget of ₹ 100 which must be spent on one of two projects, each requiring a present outlay of ₹ 100. Project A yields a return of ₹ 120 after one year. Whereas project B yields ₹ 201.14 after 5 years. Calculate :
(i) the NPV of each project using a discount rate of 10%;

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