



NMIMS Global Access

School for Continuing Education (NGA-SCE)

Course: Corporate Finance

Internal Assignment Applicable for December 2016 Examination

Assignment Marks: 30

Instructions:

- *All Questions carry equal marks.*
 - *All Questions are compulsory*
 - *All answers to be explained in not more than 1000 words for question 1 and 2 and for question 3 in not more than 500 words for each subsection. Use relevant examples, illustrations as far as possible.*
 - *All answers to be written individually. Discussion and group work is not advisable.*
 - *Students are free to refer to any books/reference material/website/internet for attempting their assignments, but are not allowed to copy the matter as it is from the source of reference.*
 - *Students should write the assignment in their own words. Copying of assignments from other students is not allowed*
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1. "Leverage being defined as the relationship between two financial variables". Why the study of leverages is an important concept in finance? **(10 marks)**

2. You being the finance manager of AB Ltd. The management is interested in CVP analysis which helps in forecasting profits, in analyzing the changes in profit happens because of changes in sales volume and cost. Discuss such CVP techniques you will use to satisfy the management. **(10 marks)**

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3. a) Given the following as cash flow from a project, calculate the NPV. The required rate of return is 9 %

year	Cash flow
0	-150000
1	25000
2	35000
3	45000
4	45000
5	55000

Whether the company should accept the project or not ?

(5 Marks)

3. b) Given the following financial statement data, calculate the net operating cycle.

Credit sales	250000
Cost of goods sold	200000
Accounts receivable	25000
Inventory closing balance	23000
Inventory opening balance	20000
Accounts payable	17000

(5 Marks)
