

Construction Economics & Finance

P. Pages : 2

Time : Three Hours



NJR/KS/18/4685

Max. Marks : 80

- Notes :
1. All questions carry marks as indicated.
 2. Solve Question 1 OR Questions No. 2.
 3. Solve Question 3 OR Questions No. 4.
 4. Solve Question 5 OR Questions No. 6.
 5. Solve Question 7 OR Questions No. 8.
 6. Solve Question 9 OR Questions No. 10.
 7. Solve Question 11 OR Questions No. 12.
 8. Due credit will be given to neatness and adequate dimensions.
 9. Assume suitable data whenever necessary.
 10. Illustrate your answers whenever necessary with the help of neat sketches.

1. a) Explain the time value of money. Illustrate your answer with the help of numerical examples. 7

b) A company is trying to diversity its business in a new product line. The life of the project is 10 years with no salvage value at the end of its life. The initial outlay of the project is ₹ 20,00,000. The annual net profit is ₹ 3,50,000. Find the rate of return for the new business. 6

OR

2. a) Explain the importance of construction and infrastructure in economic development and growth of India. 7

b) Explain how construction has become a key industry of India? 6

3. a) What is division of labour? Discuss the merits and demerits of division of labour in a construction industry. 7

b) A granite company is planning to buy a fully automated granite cutting machine. If it is purchased under down payment, the cost of machine is ₹ 16,00,000. If it is purchased under installment basis the company has to pay 25 percent of the cost at the time of purchase and the remaining amount in 10 annual instalment of ₹ 2,00,000 each. Suggest the best alternative for the company using the net present worth basis at compounded annually. 6

OR

4. a) What is capital formation? Discuss the stages of capital formation with reference to construction industry. 7

b) Explain how is Joint Stock company incorporated? 6

5. a) Explain the features of monopolistic competition in the context of construction and infrastructure industry. 7

b) What is inflation. Explain the methods to control it. 7

OR

6. a) Discuss the features of oligopoly market structure in the context of construction industry. 7
- b) What is stagflation? Discuss its impact on construction industry? 7
7. a) Explain the sources of long term finance for construction industry. 7
- b) What is Foreign Direct Investment? Explain its role in infrastructures development of India. 6

OR

8. a) Enumerate the short term sources of finance with reference to construction and infrastructure sector. 7
- b) What do you understand by project cash flow? Illustrate your answer with example. 6
9. a) What is Balance Sheet. Explain the contents of balance sheet. 7
- b) Calculate the current ratio and Acid test ratio from the following data - 6
- | | |
|---------------------|-------------|
| Current assets | ₹ 10,00,000 |
| Current Liabilities | ₹ 5,00,000 |
| Stock (Inventories) | ₹ 3,00,000 |

OR

10. a) What do you understand by profit / loss account? Explain it with a specimen. 7
- b) From the data given below, calculate the profitability ratio namely Net profit margin, Operating profit margin and operating ratios. 6
- | | |
|-------------------------|-----------|
| | Rs. |
| Sales | 15,00,000 |
| Less cost of goods sold | 10,00,000 |
| Gross profit | 5,00,000 |
| Less operating expenses | 3,00,000 |
| Profit before Taxes | 2,00,000 |
| Less Taxes | 1,00,000 |
| Net profit | 1,00,000 |

11. a) Explain the factors influencing working capital. 7
- b) M/s. S. S. Organics Ltd. expects its cost of goods sold for 2016 - 17 to be ₹ 612 lacs. The expected operating cycle is 90 days. It wants to keep a minimum cash balance of ₹ 1 lac. What is the expected working capital requirement (Assume 360 days in a year) 7

OR

12. a) What are the consideration of ascertaining cost of Capital. 7
- b) Explain the concept and practice of CIBIL in finance. 7
