Time : 03 Hours
Maximum Marks : 75

Instruction to Candidates:
1) Section - A is compulsory.
2) Attempt any Nine questions from Section - B.

Section - A
Q1) (15 x 2 = 30)

a) What is meant by mutually exclusive investment proposals?
b) Mention two objectives of capital expenditure decisions.
c) Explain two objectives of project estimation.

d) Define discount rate.
e) Why cost of capital is important?
f) How accounting rate of return is calculated?

g) Mention two limitations of pay back period.
h) Accept or reject criteria under NPV method.
i) When multiple internal rate of return occurs?

j) How independent investment proposal is evaluated under risky situations?
k) Mention two objectives of sensitivity analysis.
l) What is capital asset pricing model?

m) Differentiate operating and financial lease.
n) Mention two steps in project abandonment analysis.
o) Define the concept of alternative investment.

Section - B
(9 x 5 = 45)

Q2) Why investment decisions are so important?

Q3) What are the main objectives of capital budgeting decisions?

Q4) ìIs cost of equity free of cost capitalî. Do you agree with this statement?

Q5) Compare and contrast IRR method and NPV method of evaluating investment proposals.

Q6) Why capital rationing is done? Discuss critical factors while doing capital rationing.

Q7) Discuss the problems of identification and estimating new projects.

Q8) Enumerate the various techniques used for incorporating risk factor in capital budgeting decisions.

Q9) Explain in detail certainty equivalent coefficient.

Q10) Under what circumstances might the decision tree technique in capital budgeting analysis is useful.

Q11) Distinguish between leveraged lease and sale and lease back lease.

Q12) What are the advantages and disadvantages of the arbitrage pricing theory over the capital asset pricing model?

Q13) What is meant by project abandonment analysis? Discuss behavioral issues in project abandonment analysis.