

**P. P. SAVANI UNIVERSITY**

Fifth semester of B.B.A Examination

November-2021

**SMBA3270 - (Entrepreneurial Finance)**

25.11.2021, Thursday

Time: 09:00 a.m. to 11:30 a.m.

Maximum Marks: 60

**Instructions:**

1. The question paper comprises of two sections.
2. Section I and II must be attempted in the same answer sheets.
3. Make suitable assumptions and draw neat figures wherever required.
4. Use of scientific calculator is allowed.

**SECTION - I**

Q - 1 **Short Question (Any Five)** [10]

- (i) Enlist two sources of Long-term finance.
- (ii) What is preference share?
- (iii) What do you mean by Capital optimization?
- (iv) Which one is the internal source of finance?
- (v) Which capital is better? Borrowed or Owned?
- (vi) Enlist two sources of Short-term finance.

Q - 2 Explain the statement - "Debt Capital is having lesser cost of capital than the Equity Capital" [10]

**OR**

Q - 2 Compare various sources of long term finance on different points. [10]

Q - 3 Discuss the IPO Process [10]

**OR**

Q - 3 (a) What do you mean by red herring prospectus? What does it reveal? [05]

Q - 3 (b) Discuss the importance of having debt capital in the capital structure of any business. [05]

**SECTION - II**

Q - 1 **Write a short note (Any Two)** [10]

- (i) Importance of Capital Budgeting in the business.
- (ii) Different methods of investing capital in India. (From the perspective of the VC)
- (iii) Venture Capital in India.

Q - 2 A company is considering an investment proposal to install new milling controls at a cost of Rs.50,000. The facility has a life expectancy of 5 years and no salvage value. The tax rate is 35 per cent. Assume the firm uses straight line depreciation and the same is allowed for tax purposes. The estimated cash flows before depreciation and tax (CFBT) from the investment proposal are as follows: [10]

Year	CFBT (Rs.)
1	10,000
2	10,692
3	12,769
4	13,462
5	20,385

Compute the following:

- (i) Payback period, (ii) Average rate of return, (iii) Internal rate of return, (iv) Net present

value at 10 per cent discount rate, (v) Profitability index at 10 per cent discount rate.

OR

- Q - 2 One project of XYZ Ltd is doing poorly and is being considered for replacement. Three mutually exclusive projects A, B and C have been proposed. The projects are expected to require Rs 2,00,000 each, and have an estimated life of 5 years, 4 years and 3 years, respectively, and have no salvage value. The company's required rate of return is 10 per cent. The anticipated cash inflows after taxes (CFAT) for the three projects are as follows: [10]

Year	CFAT		
	A (Rs.)	B (Rs.)	C (Rs.)
1	50,000	80,000	1,00,000
2	50,000	80,000	1,00,000
3	50,000	80,000	10,000
4	50,000	30,000	—
5	1,90,000	—	—

- (i) Rank each project applying the methods of PB, NPV, IRR and profitability index. (ii) Recommend the project to be adopted and give reasons.
- Q - 3 Write a short note on "Acceptance and rejection criteria of the different capital budgeting techniques." [10]
- OR
- Q - 3 (a) Comment on the statement - "Irrespective of the different results from the different techniques of the project evaluation, result from NPV is to be considered." [05]
- Q - 3 (b) What do you mean by capital budgeting? Discuss its' objectives. [05]

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