

Q 5 a) Write a note on Internal Rate of Return(IRR) method. (4)

b) From the following data calculate payback period of the two machines (A & B) and suggest which one is better. (2)

Particulars	Initial Investment	Annual Cash Flow	Life
Machine A	` 1,00,000	` 36,000	5 years
Machine B	` 50,000	` 12,500	7 years

c) From the following data, Calculate Net Present Value & Profitability Index and give your decision. (6)

The cost of a machine is `10,00,000. Life = 5 years. Discount rate = 12%. The Annual Cash flow and present value factor @ 12% is given as follows -

Year	Annual Cash Flow (₹)	Present value factor @ 12%
1	2,00,000	0.892
2	2,50,000	0.797
3	3,00,000	0.711
4	3,25,000	0.635
5	3,60,000	0.567

OR

Q 5 x) Write a note on the Cost of Equity Capital & Cost of Retained Earnings. (6)

y) LMV company's capital structure & its book value of different sources is given in the table. The cost of each source is calculated and also given in the table. You are required to assign (calculate) the specific weights of each source and calculate the Weighted Average Cost of Capital. (6)

Sr. No.	Source	Book Value	Weights	Cost of each source (In %)	Weighted Cost (In %)
1	Equity Shares	` 9,00,000	?	15	?
2	12% Preference Shares	` 4,00,000	?	12	?
3	15% Debentures	` 3,75,000	?	15	?
4	Retained Earnings	` 3,25,000	?	14	?
	Total	20,00,000	1.00	-	?

Q 6 a) What is Game theory? Point out its assumptions. (4)

b) Explain the structure of a Game theory. (8)

c) Explain with a suitable example Nash Equilibrium. (4)

OR

Q 6 x) Write notes on - A) Certainty Equivalent Factor & B) Decision Tree Approach. (6)

y) Explain the types of strategies used in Game theory. (6)