Assignment 8

The due date for submitting this assignment has passed. Due on 2018-03-21, 23:59 IST.

Submitted assignment

1) The impacts on other things that are not directly aimed from an investment project, are accounted as:
   - a) Externalities
   - b) Opportunity Cost
   - c) Sunk Cost
   - d) Shadow cost

No, the answer is incorrect.
Score: 0
Accepted Answers:
- a) Externalities

2) The advantages of Payback Period method of capital budgeting include:
   - a) It accounts for time value of money
   - b) Simple to understand and easy to use
   - c) Also accounts for cash flow beyond cut-off rate
   - d) All of the above

No, the answer is incorrect.
Score: 0
Accepted Answers:
- b) Simple to understand and easy to use

3) The Discounted Payback Period of a project is:
   - a) The time in which the actual monetized value of expected benefits becomes equal to cost
   - b) The time in which the discounted monetized value of expected benefits becomes equal to cost
   - c) The designed life period of the project

No, the answer is incorrect.
Score: 0
Accepted Answers:
- b) The time in which the discounted monetized value of expected benefits becomes equal to cost
4) NPV and IRR may have conflicts in ranking projects of mutually exclusive nature, if:

- a) Timing of cash flow is different for projects
- b) There is large variation in the scale of initial investment
- c) Projects are of different life
- d) All of the above

No, the answer is incorrect.
Score: 0
Accepted Answers:
d) All of the above

5) At the discount rate equal to IRR:

- a) NPV < 0 and BCR < 1
- b) NPV > 0 and BCR > 1
- c) NPV = 0 and BCR = 1
- d) None of the above

No, the answer is incorrect.
Score: 0
Accepted Answers:
c) NPV = 0 and BCR = 1

6) Which of these is the most calculation intensive capital budgeting method:

- a) Internal Rate of Return
- b) Profitability Index
- c) Net Present Value
- d) Discounted Payback Period

No, the answer is incorrect.
Score: 0
Accepted Answers:
a) Internal Rate of Return

7) A water company has estimated to generate Rs 40 lakhs discounted cash-flow (at 15% discount rate), in 3rd year. The value of the actual estimated cash-flow in that year would be:

- a) Rs 60.84 Lakhs
- b) Rs 50 Lakhs
- c) Rs 65 Lakhs
- d) Rs 58.25 Lakhs

No, the answer is incorrect.
Score: 0
Accepted Answers:
a) Rs 60.84 Lakhs

8) A water utility generates Rs 50 lakhs net cash flow in its 5th year of operations. What would be the present value of the cash-flow at 10% discount rate:

- a) Rs 25 lakhs
- b) Rs 31 lakhs
- c) Rs 17 lakhs
- d) Rs 40 lakhs

No, the answer is incorrect.
Score: 0
Accepted Answers:
a) Rs 60.84 Lakhs
9) Two mutually exclusive water projects, one with a life-time of 7 years while other with a total life-time of 5 years, are to be compared for NPV. The selected project needs to be repeated in future to continue the services. How many years should be considered for cash flow analysis while comparing the projects?

   a) 5 Years  
   b) 7 Years  
   c) 35 Years  
   d) 12 Years

No, the answer is incorrect.  
Score: 0  
Accepted Answers:  
   b) Rs 31 lakhs

10) A company decides to invest Rs 2 Crores in a water project and annual returns were estimated for the next 8 years are Rs 20, 35, 45, 50, 40, 30, 28 and 17 lakhs. The payback period of the project would be:

   a) 5 Years  
   b) 5 Years and 4 Months  
   c) 3 Years  
   d) 6 Years and 2 Months

No, the answer is incorrect.  
Score: 0  
Accepted Answers:  
   b) 5 Years and 4 Months

11) Consider the following two mutually exclusive industrial water supply schemes:

   Scheme I: Initial Investment = Rs 20 Crores; After tax net cash-flow generated over next 5 years – Rs 4, 6, 9, 12, and 8 Crores;

   Scheme II: Initial Investment = Rs 32 Crores; After tax net cash-flow generated over next 5 years – Rs 12, 17, 10, 8, and 8 Crores;

Assuming the discount rate fixed at 15%, answer the following:

The total discounted cash-flow of Scheme I (in Rs Crores):

   a) 24.8  
   b) 39  
   c) 19.4  
   d) 20

No, the answer is incorrect.  
Score: 0  
Accepted Answers:  
   a) 24.8

12) The NPV of Scheme I (in Rs Crores):
13. The benefit cost ratio (BCR) of Scheme II is:
- a) 1.7
- b) 1.5
- c) 1.3
- d) 1.2

No, the answer is incorrect.
Score: 0
Accepted Answers:
d) 1.2

14. The preferred scheme based on NPV method will be:
- a) Scheme I
- b) Scheme II
- c) No scheme should be selected
- d) These schemes can’t be compared based on NPV

No, the answer is incorrect.
Score: 0
Accepted Answers:
b) Scheme II

15. The preferred scheme based on BCR method will be:
- a) Scheme I
- b) Scheme II
- c) No scheme should be selected
- d) These schemes can’t be compared based on BCR

No, the answer is incorrect.
Score: 0
Accepted Answers:
a) Scheme I