



DAFFODIL INSTITUTE OF INFORMATION TECHNOLOGY (DIIT)

Third Year, Sixth Semester

BBA (Honours) in Tourism and Hospitality Management (THM)

Fundamentals of Finance

CHAPTER-5

INTRODUCTION TO CAPITAL BUDGETING

1. What is capital budgeting? (2006, 2014)
2. Why are capital budgeting decisions so important? (2005)
Or. Why capital budgeting decision is important in financial decision making? (2012)
Or. What is its significance for a firm? (2014)
3. Which of the capital budgeting techniques is the best and why? (2006)
4. Describe the motives for holding cash? (2003)
5. Explain the determinants of the level of working capital of a firm. (2003)
6. Which of the net present value method and internal rate of return method is superior and why? (2005)
7. Under what circumstances do the net present value and internal rate of return methods differ? What method would you prefer and why? (2007)
8. What is Multiple IRR? Distinguish between Multiple IRR and Modified IRR. (2007)
9. “Capital budgeting perhaps the most important decision with which financial management is involved”--- Discuss. (2007, 2012)
10. What do you mean by ratio analysis? Write down the different types of ratios used in financial statement analysis. (2008)
11. What are the areas of a business enterprise where capital budgeting techniques are applicable? (2008)
12. What would be the likely effect on the required rate of return on equity if – (i) investors become less risk averse and (ii) increase in current inflation level. (2010, 2012)
13. Under what condition would the IRR and NPV always give similar accept-reject decision on a project? (2010)
14. Do the NPV and IRR always agree with respect to accept- reject decision? Explain. (2011)
15. Under what circumstance do the NPV and IRR methods differ? Which method would you prefer and why? (2014)
16. If present value of future cash inflow of a project is equal to its present value of cash outflows at 10% cost of capital, what is the project’s NPV and PI? (2013)