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Registration Number:

Date & Session:

**ST. JOSEPH’S UNIVERSITY, BANGALORE-27**

**BBASF – 4th SEMESTER**

**SEMESTER EXAMINATION: APRIL 2024**

**(Examination conducted in May/June 2024)**

**BASF4323: FINANCIAL DECISION MAKING II**

**(For current batch students only)**

Time: 2 Hours Max Marks: 60

**This paper contains \_\_2\_\_\_ printed pages and four parts**

**PART - A**

**I.** Answer ***any five*** of the following (**5x2 = 10 Marks)**

1. What is Sensitivity Analysis?
2. Write a short note on Inherent risk?
3. What is meant by Pay-back Period?
4. Give the meaning of ERM.
5. What is Risk Appetite?
6. Give the meaning of Sunk cost with a suitable example.

**PART - B**

**II.** Answer ***any four*** of the following (**4x5 = 20 Marks)**

1. Explain the risk response strategies to ERM.
2. Differentiate between NPV and IRR.
3. Company A is a manufacturer of the shoe. The company usually makes a profit of $50 per unit. The fixed cost will remain the same ($ 6,000,000) if the production below 200,000 units per month. If the production unit is higher than that, the fixed cost needs to increase by 50%. During December 2023, the company produced 100,000 units of the shoe as its plan. However, we receive a special order from the customer to produce 80,000 units at $ 130 per unit. Should we accept this order?

|  |  |
| --- | --- |
| **Item**  | **Amount ($)** |
| Selling Price | 200 |
| Direct Material  | 40 |
| Direct Labour | 60 |
| Variable Overhead | 20 |
| Fixed Overhead  | 30 |
| Total Cost Per Unit  | 150 |

1. Write a note on (a) Payback period (b) Internal Rate of Return.
2. Explain on Caroll’s CSR Pyramid.

**PART - C**

**III.** Answer ***any two*** of the following (**2x10 = 20 Marks)**

1. Company A has three product lines, X, Y, and Z. The performance of all products can be seen below:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Item** | **X** | **Y** | **Z** | **Total** |
| Sale | 100,000 | 70,000 | 130,000 | 300,000 |
| Variable Cost | (60,000) | (50,000) | (60,000) | (170,000) |
| Fixed Cost | (20,000) | (30,000) | (40,000) | (90,000) |
| Net Income | 20,000 | (10,000) | 30,000 | 40,000 |

The company considers to stop production of product Y which is making lose around $ 10,000 every month. As the cost accountant, please advise the company if they should drop produce Y.

1. Explain on (a) Business Sustainability (b) Social Responsibility
2. Discuss on the stages of Capital Budgeting.

**PART - D**

**IV.** Answer the following **(1x10=10 Marks)**

1. Explain in detail the risk mitigation strategies