***Answer the following:***

1) Explain what the time value of money is and why it is so important in the field of finance. **(7 marks)**

2) What is the Weighted Average Cost of Capital (“WACC”). Explain its uses. Calculate the WACC if the project raises the funds using both debt and equity. ***(NB Show all formulas & workings)*** **(8 marks)**

3) Make a recommendation to Renewables plc on the investment plan for the wind turbines project using a net present value approach. ***(NB Show all formulas & workings)*** **(15 marks)**

4) What is the payback period for this project and what are the advantages & disadvantages of the payback period as an investment appraisal technique? Critically compare & contrast the use of net present value as an investment appraisal and valuation tool and other tools or methods that can be used to assist in making both investment and corporate valuation decisions from a financial perspective***? (NB Show all formulas & workings and assume revenues, cost & taxes are spread evenly through the year and investment is always made at the end of the year in which it is made)*** **(20 marks)**

**ANSWER ANY TWO ONLY OUT OF THE FOLLOWING QUESTIONS:**

1. Portfolio theory suggests diversification can lower risk. Critically evaluate how effectively we can deal with risk and the various means we can use to limit or assess risk.
2. Evaluate the key advantages & disadvantages of raising capital via equity and debt, giving practical examples of situations when these might be appropriate
3. Discuss the importance of Working Capital to a business and consider how you determine its health or otherwise.

**Total Marks for Question B (choice of two questions from four) of Element 2 = 50 marks**

The work demonstrates a preponderance of the following

characteristics:

• An excellent level of critical analyses and comment on the issues at the forefront of the subject area.

• There is evidence of extensive critical reference to business and other relevant sources appropriate to the task(s) along with strong and well-argued propositions using, where relevant, examples from current practice.

• The material is wholly relevant to the task(s).

• Outstanding critical analysis and synthesis with the ability to tackle with confidence issues and situations not previously encountered.

• Evidence of the exercise of sound business judgment and, where appropriate, an innovative and creative solution to the resolution of business needs and problems.

• Excellent presentation in terms of structure, language and professional style.

• All requirements of the work are dealt with to the highest standard and the work is free from all errors.

**Merit (60 – 69%)**

The work demonstrates a preponderance of the following

characteristics:

**•** Very good level of critical analyses and comment on the issues at the forefront of the subject area

• There is extensive evidence of very good use of reference to business and other relevant sources appropriate to the task(s) along with strong and well-argued propositions using, where relevant, examples from current business practice.

• The material is wholly relevant to the task(s).

• Very good critical analysis and synthesis with the ability to tackle issues and situations not previously encountered.

• Evidence of the exercise of sound professional judgment and, where appropriate, an innovative and creative solution to the resolution of business needs and problems.

• Very well presented in terms of structure, language and professional style.

• All requirements of the work are dealt with to a high standard and the work is free from all but isolated minor errors.

**Pass (50 – 59%)**

The work demonstrates a preponderance of the following

characteristics:

• A very good understanding of the issues in the subject or area of professional practice, some of which are likely to be complex.

• There is evidence of reference to business and other relevant sources appropriate to the task(s) along with well-structured propositions using, where relevant, examples from current practice.

• Most of the requirements of the work are covered with only a few gaps or some minor and inconsequential errors.

• The material is largely relevant to the task(s).

• Very good critical analysis and synthesis with evidence of some ability to tackle issues not previously encountered.

• Evidence of the exercise of professional judgment and, where appropriate, some evidence that the student has considered an innovative and creative solution to the resolution of client’s needs and problems.

• The work is presented in a clear and well-organised manner with good professional style and containing only minor spelling and grammatical errors.

**Fail Standard Range (35 - 49%)**

The work demonstrates a preponderance of the following

characteristics:

• An unsatisfactory critical analyses and comment on the issues in the subject or area of business practice. Little evidence of reference to practice or relevant sources appropriate to the task(s).

• Only some of the requirements of the work are met and there are likely to be significant gaps.

• The work is primarily descriptive with weak or no attempt at critical analysis and synthesis. There is little evidence of ability to tackle issues not previously encountered.

• Little or no evidence of the exercise of business judgment and ideas are likely to be poorly expressed and organised.

• The work is poorly presented and contains poor spelling and grammatical errors.

**Fail Lower Range (0 - 34%)**

The work demonstrates a preponderance of the following

characteristics:

• The work lacks a basic critical analyses and comment on the issues in the subject or area of business practice. There is no evidence of background research appropriate to the task(s).

• The work demonstrates a lack of understanding of the requirements of the task(s).

• No attempt at critical analysis and synthesis with no evidence of ability to tackle issues not previously encountered.

• No evidence of the exercise of business judgment and the work is unstructured.

• The work is very poorly presented and contains many spelling and grammatical errors.