Total No. of Questions : 13] [Total No. of Printed Pages : 7

DQ-6

M.B.A. IInd Semester (Old/New)

Examination, 2019

Project Management

Paper - CP-206

Time : 3 Hours] [Maximum Marks : 80

Note :- Attempt both sections.

SECTION - 'A'

Short Answer Questions

Note :- Attempt any **four** questions out of **eight** questions. Each question carry **8** marks.

1. Describe the link between strategic planning and capital Budgeting & Allocation.

2. Explain porters five forces model in detail as means to identify profit potential for investments in the industry while screening and monitoring new ideas.

3. Questions on cost of capital

   The means of finacing for a project is given in table below. The Various means of financing and application cost of funds is as follows :

Equity and cash accrual	15%	Rs.900 million
Preference share capital	10%	Rs.100 million
Rupee term loans for institutions	14%	Rs.800 million
Non – convertible debentures	12%	Rs.400 million
Convertible portion of convertible debentures	15%	Rs.100 million
Non – convertible portion of convertible debentures	10%	Rs.100 million
Bank borrowing for working capital	15%	Rs.200 million

Note :- cost of raising funds for Rupee Term loan, Non Convertible Debenture, Non convertible portion of convertible debenture and Bank borrowings is adjusted for taxation for calculating the total cost of capital for project.

Adjusted cost of Funds for above heads = Applicable cost of funds * (1-Tax rate)

For the Remaining Heads it is taken as it is. If the Average applicable tax rate for the project is estimated at 25 percent then, Calculate the cost of capital for the project (keeping in mind the above note).

4. Compare the three methods of Offerings (Raising Finances) in detail i.e. public Issue, Rights Issue and Private Placement.

5. While doing Technical Analysis of a project how would you (describe in detail)

   (a) Check whether technology being implemented is correct or not

   (b) Determine the kind of machinery and equipment required for manufacturing industry.

6. What are the components of project cash flow stream. Explain four basic principles of project Cash Flow estimation.

7. Explain the term Post Audit. What Purpose does it serve ?

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8. Question on **Time Value of Money :** The initial cash outlay of a project is Rs. 50,000 and it generates cash inflow of Rs. 20,000, Rs. 15,000, Rs. 25,000 and Rs. 10,000 in four years Using present value index (benefit cost ratio) method, **appraise profitability** of the proposed investment assuming 10% rate of discount and **should the company invest** in it or not. Given that Present value (P V Factors) of Rs. 1 at 10% discount rate for First, Second, Third and Fourth Year is 0.909, 0.826, 0.751 and 0.683 respectively.

SECTION - 'B'

Long Answer Questions

Note :- Attempt any **three** out of five questions. Each quesiton carry 16 marks.

9. Questions on **Project Network Techniques & Use of PERT & CPM**

   A project consists of the following activities represented in term of preceding and succeeding events. Draw its network diagram and Find Critical Path.

Activity	Mean time (weeks)
(1,2)	4
(1,3)	2
(1,4)	3
(2,4)	5
(3,4)	6
(4,5)	2
(5,7)	3
(2,5)	1
(4,7)	5

10. Differentiate between Venture Capital and Private Equity on the basis of (a) Investment Target (b) Horizon (c) Associated Risks (d) Structure (e) Post Financing Engagement (f) Investment Management Tem.

11. Explain Stand Alone Risk. Also Describe in Detail Sensitivity Analysis, its Merits and limitations.

12. Question on **Financial Estimates and Projection :** The balance sheet of Bhavishya Enterprises at the end of year 2018 is as follows. (All Figures in Milion Rs)

Liabilities		Assets		
Share capital	100	Fixed assets		180
Reserves and surplus	20	Investments		–
Secured loans	80	Current assets		
Unsecured loans	50	Cash	20	
Current liabilities	90	Receivable	80	
Provisions	20	Inventories	80	180
	360			360

The projected income statement and the distribution of earning for year 2019 are given below :

Sales		400
Cost of good sold		300
Depriciation		20
Profit before interest and taxes		80
Interest		20
Profit before tax		60
Tax		30
Profit after tax		30
Dividends		10
Retained earnings		20

During the year 2019, the firm plans to raise a secured Term loan of 20, Repay a previous term loan by 5, and increased unsecured loan by 10. Current liabilities and Provisions will remain unchanged. Firm plans to increase inventory by 10 and acquire fixed assets worth 30. The Receivables are expected to increase by 15 and 10 will be given as equity dividend. Cash position will change, and other assets will remain same. **Make the projected cash flow statement for year 2019.**

13. Question on **Capital Budgeting :** For each of the following projects A & B compute (i) pay-back period, (ii) post-back profitability and (iii) post-back profitability index :

Project A		Project B	
Initial outlay	**Rs. 50,000**	**Initial outlay**	**Rs. 50,000**
Estimated life	**8 Years**	**Estimated life**	**8 Years**
Annual cash Inflow (after tax but before depreciation)	**Rs. 10000**	**Annual Cash Inflow (after tax but before depreciation)**	
		(a) First Three Years	**Rs. 15,000**
		(b) Next Five Years	**Rs. 5,000**
		Salvage Value	**Rs. 8,000**

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