CBCS SCHEME

USN | | | | | | | | | |

18MBAFM306

Third Semester MBA Degree Examination, Jan./Feb. 2021
Project Appraisal Planning and Control

Time: 3 hrs. Max. Marks:100

Note: 1. *Answer any Four questions from Q.No. 1 to Q.No. 7.*
2. *Question No. 8 is compulsory.*
3. *Interest factor / PV tables permitted.*

1 a. Differentiate between Capital project and Revenue project. **(03 Marks)**
b. Briefly explain the rational for SCBA. **(07 Marks)**
c. Discuss the pre – requisites for Project Implementation. **(10 Marks)**

2 a. What is SCBA Analysis? **(03 Marks)**
b. Discuss the HR aspects considered in Project Management. **(07 Marks)**
c. Alpha Ltd is considering 2 machine A & B. Both the machines serve the same purpose. Machine 'A' a standard model cost Rs 75000 and last for 5 years. Its annual operating cost will be Rs 12000. Machine 'B', an economy model cost Rs 50,000 but last for only 3 years. Its annual operating cost will be Rs 25,000. How should Alpha Ltd choose between the 2 machines? [Assume a discount rate of 12%]. **(10 Marks)**

3 a. What are the steps involved in Sensitivity Analysis? **(03 Marks)**
b. A firm is evaluating 9 investment opportunities.

Project	1	2	3	4	5	6	7	8	9
NPV	14	17	17	15	40	12	14	10	12
CF_{j1}	12	54	6	6	30	6	48	36	18
CF_{j2}	3	7	6	2	35	6	4	3	3

Budget available to the firm is limited to 50 in year 1 & 20 in year 2. Develop a linear programming model. **(07 Marks)**
c. What are the postures associated with SPACE approach? **(10 Marks)**

4 a. What is Abandonment Analysis? **(03 Marks)**
b. Discuss the mistakes commonly committed in applying DCF analysis. **(07 Marks)**
c. Explain the 5 stages of appraisal in the UNIDO approach. **(10 Marks)**

5 a. Mention the steps involved in Project rating index. **(03 Marks)**
b. What is Risk? Explain its types. **(07 Marks)**
c. India Pharma Ltd is considering a project to build a plant in the US. The project will entail outlay of US \$ 100 million and is expected to generate the following cash flows over its 4 years life.

Year	1	2	3	4
Cash flow (in million)	\$ 30	\$ 40	\$ 50	\$ 60

The current spot exchange rate is Rs 45 per US \$. The risk free rate in India is 11% and the risk free rate in the US is 6%. India Pharma required rupee return on a project of this kind is 15%. Calculate : i) NPV of the project using home currency approach. **(10 Marks)**

6 a. What Organisational considerations should be considered for capital budgeting? **(03 Marks)**
b. What are the sources of positive NPV? Explain. **(07 Marks)**
c. Briefly evaluate the administrative aspects of Capital budgeting. **(10 Marks)**

7 a. What do you mean by Agency problem? **(03 Marks)**
b. Differentiate between Strategic planning and financial analysis. **(07 Marks)**
c. From the following information, calculate NPV* :

Year	0	1	2	3	4	5
Cash flows	135000	48000	55000	67000	70000	73000

Company will reinvest @ a rate of 12% with a cost of capital of 10%. Also write your suggestion for the acceptance of the project. **(10 Marks)**

8 Case Study (Compulsory) :

The Balance sheet of XYZ Ltd @ the end of year 'n' is as follows :

Liabilities	Amt	Assets	Amt
Share capital	50	Fixed assets	110
Reserves & Surplus	40	Investments	5
Secured loans	40	Current Assets :	
Unsecured loans	30	Cash	10
Current liabilities	60	Receivables	40
Provisions	10	Inventory	65
Total	230	Total	230

The projected income statement and the statement of distribution of earnings is given below :

(Rs in Lakhs)

	Amount
Sales	250
Cost of goods sold	190
Depreciation	15
Earnings before interest & tax	45
Interest	12
Profit before tax	33
Tax	18
Profit after tax	15
Dividends	10
Retained earnings	5

During the year n + 1 the firm plans to raise a secured loans of Rs 10 lakhs, repay a previous term load to the extent of Rs 5 lakhs. Current liabilities and provisions would increase by 5%. Further, the firm plans to acquire fixed asset worth Rs 1.5 lakh and raise its inventories by Rs 5 lakhs. Receivables are expected to increase by 5%. The level of cash would be the balancing amount in the projected balance sheet.

Given the above information prepare :

a. Projected sources and uses of fund statement. **(10 Marks)**
b. Projected balance sheet. **(10 Marks)**

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