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P.E.S. College of Engineering, Mandya - 571 401

(An Autonomous Institution affiliated to VTU, Belagavi)

Third Semester, Master of Business Administration (MBA)

Semester End Examination; Dec - 2017/Jan - 2018

Project Management

Time: 3 hrs *Max. Marks: 100*

***Note**: Answer all **FOUR** full questions from **PART - A** and **PART - B** (Case study) is compulsory.*

PART - A

1 a. With a neat diagram, explain the different phases of capital budgeting in detail. 10

b. With a neat diagram, explain the BCG portfolio evaluation technique. 10

OR

2 a. What is meant by Situational Analysis? Discuss in detail the various sources of finances available for meeting the project cost. 10

b. Explain the steps to conduct market survey in an organization. 10

3 a. Discuss the various classifications of material inputs and utilities in technical analysis. 10

b. Discuss in detail the various components of estimated cost of production in an industry. 10

OR

4 a. Write short notes on :

i) Benefit Cost Ratio 10

ii) Properties of Net present value rule.

b. Explain the various basic principles of Cash Flow Statement. 10

5 a. Define Project Financing. Explain UNIDO approach for Project Appraisal. 10

b. A company is considering two mutually exclusive investments, Project *X* and Project *Y*. The expected cash flows of these projects are as follows: 10

Year	Project *X*	Project *Y*
0	(5,000)	(2,500)
1	(2,500)	800
2	300	1,000
3	2,000	2,000
4	5,000	2,000
5	6,000	1,5000

Which project should it choose, if the cost of capital is 15 percent? 45 percent?

OR

6 a. What is meant by Risk? Explain the various sources of Risk? 10

b. Maharaja Associates is considering a project which requires an initial outlay of `100 million. The cost of capital is 15 percent and the expected cash inflows from the project is: 10

Year	1	2	3	4	5
Cash flow in ` Million	20	30	30	50	70

i) What is the payback period?

ii) What is the discounted payback period?

iii) What is the Benefit Cost Ratio?

7 a. What is meant by PERT? Explain the various procedures for determining the critical path in network diagram. 10

b. Five projects A, B, C, D and E are available to company:

	M	N	O	P	Q
Initial Investment	` 20,000	50,000	85,000	90,000	150,000
Annual Cash inflow	` 5,000	10,000	20,000	20,000	25,000
Life (in yrs)	8	9	6	6	10
Salvage Value	` 6,000	--	--	20,000	40,000

10

Projects N and Q are mutually exclusive. Otherwise the projects are independent. If the cost of capital for the firm is 12 percent, which projects should be chosen at the following budget levels: ` 3000, 00 and ` 350, 000?

Assume that the decision criterion is the net present value. Use the feasible combinations approach.

OR

8 a. Define Project Planning. Write short notes on: 10

i) Sensitivity analysis ii) Simulation analysis.

b. Explain the rules associated for Network Construction 10

PART - B

9. **Case Study:**

The Balances Sheet of Navneet Corporation at the end of the year *n* (the year which is just over) is as follows:

Liabilities		Assets (` in Million)	
Share Capital	50	Fixed Assets	110
Reserves and surplus	20	Investments	6
Secured loans	30	Current assets	26
Unsecured loans	25	* Cash	4
Current liabilities	12	* Receivables	12
Provisions	5	* Inventories	10

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

	(` in Millions)
Sales	250
Cost of Goods sold	160
Depreciation	20
Profit before Interest and Taxes	70
Interest	10
Profit before Tax	60
Tax	18
Profit after Tax	42
Dividends	10
Retained earnings	32

20

During the year *n*+1, the firm plans to raise a secured term loan of ` 10 million, repay a previous secured term loan to the extent of ` 18 million. Current liabilities and provisions would increase by 10 percent. Further, the firm plans to acquire fixed assets worth ` 40 millions. Receivables are expected to increase by 8 percent. The level of cash would be the balancing amount in the projected balance sheet.

Given the above information, prepare the following :

i) Projected Cash Flow Statement ii) Projected Balance Sheet.

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