



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; Jan. / Feb. - 2021

Project Management

Time: 3 hrs

Max. Marks: 100

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

Q. No.	Questions PART - A	Marks
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|------|--|----|
| 1 a. | Explain the phases of Capital Budgeting. | 10 |
| b. | Briefly explain the sources of positive NPV. | 10 |

OR

- | | | |
|------|--|----|
| 2 a. | Explain the various facets of projects analysis. | 10 |
| b. | With suitable flowchart, brief out the different types of grand strategies. | 10 |
| 3 a. | “The general Electric’s stoplight matrix is an effective tool for portfolio strategy”, justify it. | 10 |
| b. | Discuss the Porter’s Five force model for industry competition. | 10 |

OR

- | | | |
|------|---|----|
| 4 a. | You can purchase a building for ` 3,50,000. The investment will generate 16,000 in cash flow (i.e. Rent) during the first 3 years. At the end of 3 years you will sell the building for ` 4,50,000. What is the IRR on this investment? | 10 |
| b. | A project requires an initial investment of ` 2,25,000 and is expected to generate the following net cash flow: | |

Year	`
1	95,000
2	80,000
3	60,000
4	55,000

10

Compute NPV of the project, if the minimum desired rate of return is 12%.

- | | | |
|------|--|----|
| 5 a. | Discuss the major components of cost of production. | 10 |
| b. | Mention the general sources of collection secondary information. Explain in brief. | 10 |

OR

- | | | |
|------|---|----|
| 6 a. | Explain the two techniques of Risk analysis in capital budgeting. | 10 |
| b. | Briefly explain the components of marketing plan. | 10 |

- 7 a. A project involving an outlay of ` 10 million has the following benefits associated with it:

Year 1		Year 2		Year 3	
Cash flow (Million)	Probability	Cash flow (Million)	Probability	Cash flow (Million)	Probability
4	0.4	5	0.4	3	0.3
5	0.5	6	0.4	4	0.5
6	0.1	7	0.2	5	0.2

10

Assume that the cash flows are independent. Calculate the expected NPV and standard deviation of NPV assuming that $I = 10\%$.

- b. Discuss the prerequisites for successful project implementation.

10

OR

- 8 a. Discuss the process of Administrative aspect of capital budgeting.

10

- b. Describe different forms of project organization.

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PART - B (Case Study Compulsory)

9. A chemical engineering consultant is evaluating a chemical formulation. He has estimated the total outlay on the project to be as follows:

Plant and machinery	` 180 Lakhs
Working capital	` 120 lakhs

The scheme of financing the project is as follows:

Equity capital	` 100 lakhs
Term loan	` 104 lakhs
Trade Credit	` 36 lakhs
Working capital advance	` 60 lakhs

20

The project has an expected life of 5 years. Use depreciation @ 15% on WDV basis. The expected annual sales would be ` 350 lakhs. The cost of sales, which includes depreciation but excludes interest, is expected to be ` 190 lakhs per year. The tax rate of the firm is 40%. Term loan will carry 14% interest p.a. and will be repayable in 5 equal installments, beginning from the end of the first year. Working capital advance will carry an interest rate of 18%. It will be fully liquidated after 5 years. Trade creditors will be fully paid at the end of 5th year.

Define the cash flows for the new project for the first 5 years from the long term funds point of view. Also assume at the end of 5 years plant and machinery will fetch a value equal to their book value and the investment in working capital will be fully recovered.