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

(An Autonomous Institution affiliated to VTU, Belgaum)

Third Semester - Master of Business Administration (MBA)

Semester End Examination; Dec. - 2015

Project Management

Time: 3 hrs *Max. Marks: 100*

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

PART - A

1 a. What is meant by Corporate Appraisal? 3

b. What are the sources of Idea generation? 7

c. With a neat diagram explain the PORTER MODEL of Profit Potential of Industries with suitable example. 10

OR

2 a. What is meant by situational Analysis? 3

b. What are the sources of finances available for meeting the project cost? 7

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

3 a. What is meant by work schedule? 3

b. Explain the three categories of structures and civil works in detail. 7

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

OR

4 a. What is meant by Benefit cost ratio? 3

b. Explain the properties of Net present rule. 7

c. Explain the various principles of Cash Flow statement. 10

5 a. Define project Financing. 3

b. Explain the difference between Accounting Rate of Rate and Internal Rate of Return. 7

c. A company is considering two mutually exclusive investment, Project X and Project Y. The expected cash flows to 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	1,500

Which project should it choose if the cost of capital is 15 percent? 45 percent? Calculate the IRR of the project.

Contd…2

OR

6 a. What is meant by Risk? 3

b. Explain the various sources of Risk. 7

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

Year :	1	2	3	4	5
Cash flow in Rs. 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? 3

b. Explain the various forms of Project Organization. 7

c. Five Projects A, B, C, D and E are available to a company. 10

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

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: Rs. 300,00 and Rs. 350,000? Assume that the decision criterion is the net present value. Use the feasible combinations approach.

OR

8 a. Define Project Planning. 3

b. Explain the rules for Network Construction. 7

c. Discuss the various administrative aspects of capital budgeting to be followed by any organization or industry. 10

PART - B

9. **Case Study: (Compulsory)**

The balance sheet of Sushil corporation at the end of the year n (the year which is just over) is as follows:

(Rs. In Millions)

Liabilities		Assets	
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:

	(Rs. 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 Rs. 10 million, repay a previous secured term loan to the extent of Rs. 18 million. Current liabilities and provisions would increase by 10 per cent. Further, the firm plans to acquire Receivables are expected to increase by 8 per cent. 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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