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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 - 2016/Jan - 2017

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. Explain in detail different facets of Project analysis. 10
- b. ABC company is considering two mutually exclusive investment project P and Q. The expected Cash flows of these projects are as follows,

Year	Project P	Project Q
0	(1000)	(1600)
1	(1200)	200
2	600	400
3	250	600
4	2000	800
5	3000	1000

10

Suggest which Project has to be considered based on NPV. Assume firm's cost of capital is 12%.

OR

- 2 a. Discuss the various means of financing the projects in India. 10
- b. Describe in detail the Phases of capital budgeting process. 10
- 3 a. Explain the tools of Portfolio Planning BCG matrix and generate Electric's stop light matrix. 10
- b. Explain the various aspects considered in technical analysis of a project. 10

OR

- 4 a. i) If an equipment cost Rs. 5 lakhs and has a life of 8 years. What should be the minimum annual cash in flow before it is worthy to buy this equipment if cost of capital is 10%? 5
- ii) Evaluate NPV as an investment criteria. 5
- b. Describe in detail different methods of demand forecasting. 10
- 5 a. Explain five stages of appraisal in the UNIDO method as described in the project appraisal. 10
- b. Jaya Prakash associates are considering a project that has following cash flows associated with it.

Year	0	1	2	3	4	5	6
Cash flows Rs. Millions	(120)	(80)	20	60	80	100	120

10

Cost of capital of project is 15%. Determine modified internal rate of return.

OR

- 6 a. The spectrum company has come up with an electric moped for pilot production and test marketing. Company will incur cost of Rs. 20 Million. Management believes that there will be 70% success rate. In case of success spectrum can build a plant costing Rs. 150 million. The plant will generate an annual cash inflow of Rs. 30 Million for 20 years. If the demand is high or an annual inflow of Rs. 20 Million if the demand is low. The Probability of high demand is 0.60 and low demand is 0.4. What is the optimal course of action using decision tree analysis? Assume a discount rate of 12%. 10
- b. What are the prerequisites for successful project implementation? Explain. 10
- 7 a. What are the principal discrepancies that need to be considered while undertaking social cost benefit analysis? 10
- b. Discuss in detail the major issues in the preparation of Environmental impact assessment. 10

OR

- 8 a. State and describe different steps of Administrative aspects of Capital Budgeting. 10
- b. With a neat sketch explain the evaluation technique of BCG matrix. 10

PART - B
(Case Study)

9. An Ojus enterprise is determining the cash flow for a project involving replacement of an old machine by a new machine. The old machine has a book value of Rs. 4,00,000 and it can be sold to realize a post tax salvage value of Rs. 5,00,000. It has a remaining life of five years after which its net salvage value is expected to be Rs. 1,60,000. Depreciated annually at a rate of 15% under written down value method. The working capital required for the old machine is Rs. 4,00,000. The new machine costs Rs. 1,600,000. Expected to fetch a salvage value of Rs. 8,00,000 after 5 years. The depreciation rate is 15% under written down value method. The net working capital required for the new machine is Rs. 5,00,000. The new machine is expected to bring a saving of Rs. 2,57,143 annually in manufacturing cost (other than depreciation). The tax rate is 30%. Estimate the incremental after tax cash flow and advise the company based on NPV technique appropriately. Assume cost of capital is 15%. 20

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