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Code No: 724AF

JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD
MBA IV Semester Examinations, January-2018
STRATEGIC INVESTMENT AND FINANCING DECISIONS

Time: 3hours **Max.Marks:75**

Note: This question paper contains two parts A and B.
Part A is compulsory which carries 25 marks. Answer all questions in Part A.
Part B consists of 5 Units. Answer any one full question from each unit. Each question carries 10 marks and may have a, b, c as sub questions.

PART - A **5 × 5 marks = 25**

1.a) Explain various techniques of investment decisions under conditions of risk and Uncertainty? [5]
b) How can inflation influence capital budgeting decisions? [5]
c) Discuss on single period constraints and multi period capital constraint. [5]
d) Explain how leasing considered as a source of finance? [5]
e) What are the probable reasons for mergers and acquisition? [5]

PART - B **5 × 10 marks = 50**

2. Explain in brief Monte Carle approach to simulation. [10]

OR

3. An investment project will cost Rs.50, 000 initially and it is expected to generate cash flows in four years Rs.25, 000, Rs.20, 000, Rs.10, 000 and Rs.10, 000. What is the project's NPV. Assume a 10 percent risk –free rate. [10]

4. What is Lorie savage paradox? Explains in detail? [10]

OR

5. A company proposes to undertake one of two mutually exclusive projects namely, AXE and BXE. The initial capital outlay and annual cash inflows are as under:

		AXE	BXE
Initial capital outlay		Rs. 22,50,000	Rs. 30,00,000
Salvage value at the end of the life		0	0
Economic life (years)		4	7
After tax annual cash inflows	Year 1	Rs. 6,00,000	Rs.5,00,000
	2	12,50,000	7,50,000
	3	10,00,000	7,50,000
	4	7,50,000	12,00,000
	5	-	12,50,000
	6	-	10,00,000
	7	-	8,00,000

The company's cost of capital is 16%
Calculate for each project IRR and suggest. [10]

6. Discuss the Hillier approach in analysis and appraisal of project. [10]

OR

7. Write a short note on:
a) Equivalent annual cost.
b) Terminal value.
c) Significance of information on project selection. [10]

8. Write short notes on:
a) leasing vs. hire purchase
b) leasing vs. operating risk.
c) Borrowing Vs. procuring. [10]

OR

9. Alfa LTD is thinking of installing a computer. Decide whether the computer is to be purchased outright (through 14 percent borrowing) or to be acquired on lease rentel basis. The company is in the 50 percent tax bracket. The other data available are:
a) Purchase of computer:
Purchase price: Rs 20, 00,000
Annual maintenance, (to be paid in advance), Rs 50,000 per year
Expected economic useful life, 6 years
Depreciation (for tax purposes), straight line method
Salvage value: Rs 2, 00,000
b) Leasing of computer:
Leasing charges (to be paid in advance): Rs 4,50,000
Maintenance expense to be borne by lessor
Payment of loan: 6 year –end equal installments of Rs. 5, 14, 271 [10]

10. Define takeover. Explain the government guidelines for takeover? [10]

OR

11. Alpha company has a value of Rs. 25 million and Beta Company has a value of Rs.10 million. If the two companies merge, cost savings with a present value of Rs. 4 million would occur. Alpha propose to offer Rs. 100 million cash compensation to acquire Beta. What is the net present value of the merger to the two firms? [10]

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