

R15

Code No: 724AF

JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD**MBA IV Semester Examinations, June/July-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 role of Risk in Investment. [5]
- b) Why is Net Present Value considered as important? Explain. [5]
- c) Explain the Features of Post Pay Back in practice. [5]
- d) Under what circumstances leasing can be preferred? [5]
- e) Define merger and state basic issues in merger. [5]

PART - B**5 × 10 marks = 50**

2. Differentiate Risk and Uncertainty with respect to Strategic Investments? [10]

OR

- 3.a) A machine costs Rs 10,00,000 and is expected to yield net cash returns as per current prices are given below:

Year	Rs
1	Rs. 5,00,000
2	Rs. 8,00,000
3	Rs. 6,00,000

The expected rate of inflation is 5% p.a and cost of capital as 12% p.a. Advise whether the investment is acceptable or not?

- b) How can investment decisions be taken under capital constraints? [5+5]
 4. What is Multiple & Modified IRR? How these are different from Quadratic Expression of Dual Rates of Return on investments? [10]
- OR**
5. What are different types of Investments? What is the rationale behind choosing each of them? [10]

6. An investment project involves a current outlay of Rs. 10,000. The mean and standard deviations of cash flows that are correlated are given below. The risk free rate of interest is 6%.

Year	Expected Cash Flow (Rs)	Standard deviation of cash flows
1	5,000	1500
2	3,000	1000
3	4,000	2000
4	3,000	1200

Calculate expected NPV and standard deviation of NPVs using the Hiller model. [10]

OR

7. Examine in detail the significance of information and Data Bank in project selections. [10]
8. Define a lease. How does it differ from hire purchase and Installment Sale? What are the cash flow consequences of a lease? Illustrate. [10]

OR

9. Write short notes on:
a) Borrowing vs. procuring.
b) Advantages of leasing. [10]
- 10.a) ABC Textiles has a value of Rs 250 crores and PQR Textiles has a value of Rs 100 crores. If the PQR two companies merge, cost savings with a present value of Rs. 40 crores would occur, ABC offers Rs 150 crores cash compensation to acquire PQR. What is the net present value of the merger to the two firms?
- b) Explain different types of mergers. [5+5]
- OR**
11. Explain different types of Diversification Strategies and state the government guidelines for takeover of a company. [10]

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