R15

Code No: 724AF

JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD
MBA IV Semester Examinations, December - 2019
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) What is Risk adjusted rate of return? [5]
b) Write short note on Lorie Savage Paradox. [5]
c) What is Hertz Simulation? [5]
d) What is direct Leasing? [5]
e) What are the Problems of Mergers? [5]

PART - B **5 × 10 Marks = 50**

2. Discuss the relationship between dividend policy and the value of the firm. [10]

OR

3. Explain the importance of project investment decision. [10]

4. A company is considering two mutually exclusive projects. Both require an initial investment of
Rs. 55,000 each and have a life of 5 years. The cost of capital of the company is 11% and tax is rate is 45%. The depreciation is charged on Straight line method. The estimated net cash inflows (before depreciation and tax) of the two projects are as follows:

Year	Project A (Rs.)	Project B (Rs.)
1	21,000	30,000
2	23,000	27,000
3	28,000	23,000
4	26,000	26,000
5	30,000	21,000

Which project should be accepted as per NPV and IRR method? [10]

OR

5. Write a note on the following:
a) Evidence of IRR b) Modified IRR [5+5]

6. Differentiate between discounted pay back and post pay back. [10]

OR

7. Describe the significance of Information and data bank in project selections. [10]

8. Explain the advantages of Leasing, and Leasing Decision in practice. [10]

OR

9. Write a note on the following:
a) Lease Risk b) Operating Risk [5+5]

10. Discuss in brief the various types and reasons of mergers. [10]

OR

11. The following data relates to two companies A and B.

	Company A	Company B
Number of Equity shares	20000	10000
Profit After Tax	70000	30000
Price Earnings Ratio [P/E]	25	13
EPS	Rs. 4	Rs. 3

Company M is considering the purchase of company N in exchange of 1 share in M for every 2 shares held in N. You are required to illustrate the impact of merger on earnings per share assuming that there would be synergy benefits equal to 25 percent increase in the present earnings after tax due to merger. [10]

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