

R15
Code No: 724AF
JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD
MBA IV Semester Examinations, December - 2018
STRATEGIC INVESTMENT AND FINANCING DECISIONS
Time: 3 hours
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) Describe any two methods for decision -making with uncertainty. [5]
- b) How is modified IRR calculated? [5]
- c) Explain post payback and surplus payback. [5]
- d) What is Lease risk management? [5]
- e) What are the possible causes of Horizontal and Vertical mergers? [5]

PART - B
5 × 10 marks = 50

2. The expected cash flows of a project are as follows:

Year	Cash flow
0	Rs. (30,00,000)
1	9,00,000
2	7,00,000
3	8,00,000
4	9,00,000
5	10,00,000

The certainty equivalent factors behaves as per the following equation

 $\alpha_t = 1 - 0.06t$. Calculate the NPV of the project if the risk free rate of return is 6 percent. [10]

OR

- 3.a) Discuss the procedure for simulation analysis.
- b) Explain risk - adjusted discount method. [5+5]
- 4.a) Why is MIRR superior to the regular IRR? Explain.
- b) How is modified NPV calculated? [5+5]

OR

5. What is the internal rate of return of an investment which involves a current outlay of Rs.5, 00,000 and results in an annual cash inflow of Rs.1, 10,000 for 5 years? [10]
- 6.a) Discuss the importance of return on investment in project appraisal.
- b) Explain NPV mean variance analysis. [5+5]
- OR**
- 7.a) How is the standard deviation of NPV defined by Hillier model if the cash flows of different years perfectly correlated?
- b) Explain about bail-out payback. [5+5]



- 8.a) Discuss the advantages and disadvantages of leasing.
b) Distinguish between borrowing and procuring. [5+5]
- OR**
9. AVON Leasing Ltd has structured a leveraged lease with an investment cost of Rs.50 lakh. The investment is to be financed by equity from it and loan from the bank in the ratio of 1:4 .The interest on loan is 15% per annum to be repaid in the five equated annual installments. If the required rate of return of the AVON leasing ltd is 20%. Calculate equated annual installment and annual release rental. [10]
10. Rosy ltd. is contemplating the purchase of Lily ltd. Rosy ltd has 3, 00,000 shares having a market price of Rs.30 per share while Lily ltd has 2,00,000 shares selling at Rs.20 per share .The EPS of rosy ltd and Lily ltd are Rs.4 and Rs.2.25 respectively. There is a proposal for exchange of 0.5 shares of Rosy ltd for 1 share of Lily ltd. Calculate EPS after merger and the impact on EPS for the shareholders of both the companies. [10]
- OR**
- 11.a) Explain any one theory of Merger.
b) Discuss the reasons for Mergers and Acquisitions. [5+5]

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