

Subject Code: MB946/R09

M B A - IV Semester Regular/Supply Examinations, Nov - 2014

STRATEGIC INVESTMENT AND FINANCING DECISIONS

Time: 3 hours

Max Marks: 60

Answer any FIVE of the following

All questions carry equal marks. Q.No.8 is compulsory

- 1) Discuss the phases in selection of profitable projects.
- 2) Explain Monte Carlo approach to simulation.
- 3) How are modified IRR Robichek and Mordalbasso (TRM) solution methods are used in dealing with pure simple and mixed investment?
- 4) What is meant by equal and annual cost? How is this used as an appraisal technique?
- 5) How are lease financial decisions evaluated when compare to hire purchase?
- 6) Explain Modigliani Miller theory on capital structure.
- 7) Discuss the consequences of financial distress.
- 8) **Case Study:**

A company is considering leasing equipment which has a purchase price of Rs.10, 50,000. The equipment has an estimated economic life of 5 years. As per the income tax rules a written down depreciation at 25% is allowed. The lease rentals per annum are Rs.3, 60,000. The company's marginal tax rate is 33.33%. If the before tax borrowing rate for the company is 13%.

Question.

Should the company lease the equipment?
