R07

Code No: MB408
JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD
MBA - IV Semester Examinations, January 2011
STRATEGIC INVESTMENT AND FINANCING DECISIONS

Time: 3hours   Max. Marks: 60

Answer any <u>five</u> questions
All questions carry equal marks
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1. a) Differentiate Risk & Uncertainty with respect to Strategic Investments?
    b) Explain Functioning of Decision Tree Approach in Investment Optimization.

2. What is Multiple & Modified IRR, How these are different from Quadratic Expression of Dual Rates of Return on investments?

3. a) What is Pay Back Period, how it is relevant in investment decisions.
    b) Discounted Pay Back
    c) Bailout Pay Back

4. a) Distinguish finance & Operating Leases
    b) Differentiate Hire & Installment Purchases in transfer of title in investment

5. What are the different types of Capital Structure Theories in determination of value of firm (V)? List & explain any three of them?

6. Determine Bailout Pay Back with the help of following information in respect of an investment decision regarding acquisition of following two mutually exclusive Projects; If Initial Cost of Investment, Cash Inflows & Salvage Values is as following:

Description	Investment At Year-0(in Rs.)	Year-1	Year-2	Year-3	Year-4	Year-5
Project-A	20000	5000	6000	4000	3000	2500
Salvage Value of A	---	6000	4000	3000	2000	1000
Project-B	25000	7000	4000	5000	3000	2500
Salvage Value of B	---	6000	4000	3000	2000	1000

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7. Determine Equivalent Annual Cost of each Machine @ 10% PV Factor, with the help of following information in respect of cash outflows of Two Machines X & Y. Quote your Rank in investing in that machine if PV of Annuity in 5th Year is 3.791.

Description	Investment At Year-0(in Rs.)	Year-1	Year-2	Year-3	Year-4	Year-5
Project-X	30000	5000	6000	4000	3000	2500
Project-Y	40000	7000	4000	5000	3000	2500
Discounting Factor @ 10%	---	0.909	0.826	0.751	0.683	0.621

8. Determine Best Outcome under Decision Tree Approach @ Discounting Factor 12%, with the help of following information:

Year-0	Year-1		Year-1	
PV @ 12%	0.893		0.797	
Investment	Prob.Outcome	Cash Inflow	Probability	Cash Inflow
			0.2	60000
	0.6	80000	0.3	75000
200000			0.5	100000
			0.4	85000
	0.4	90000	0.5	90000
			0.1	100000

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