

R19

Code No: 764AF

JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD

MBA IV Semester Examinations, February - 2025

STRATEGIC INVESTMENT AND FINANCING DECISIONS

Time: 3 Hours

Max.Marks:75

- Note:** i) Question paper consists of Part A, Part B.
ii) Part A is compulsory, which carries 25 marks. In Part A, Answer all questions.
iii) In Part B, Answer any one question from each unit. Each question carries 10 marks and may have a, b as sub questions.

PART – A

(25 Marks)

- 1.a) What is a decision tree, and how is it applied in risk analysis? Explain. [5]
- b) Discuss the criteria for project disinvestment. Explain. [5]
- c) What is the significance of terminal value in investment analysis? Explain. [5]
- d) List the advantages of leasing over buying. [5]
- e) Brief on investment decisions under capital constraints. [5]

PART – B

(50 Marks)

- 2.a) Explain the methods used to evaluate projects under conditions of risk and uncertainty?
- b) Calculate the risk-adjusted rate of return for a project with an expected return of 12% and a risk premium of 4%. [5+5]

OR

3. Describe the Monte Carlo simulation method and its application in investment decisions? [10]

4. Explain the Lorie-Savage Paradox and its relevance in modern investment decision with examples. [10]

OR

- 5.a) Critically analyze the role of inflation in capital budgeting decisions?
- b) Analyze the effect of inflation on NPV for a project with cash flows of Rs.10,000 annually over 5 years. [5+5]

- 6.a) Compare discounted payback and traditional payback methods? (5Marks)
- b) Calculate the discounted payback period for a project with cash flows of Rs.20,000 annually for 5 years and an initial investment of Rs.70,000. Discount rate of 8%. [5+5]

OR

7. Analyze Hertz simulation and Hillier approaches in risk assessment? With an example. [10]

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8.a) Discuss the strategic advantages of lease financing over traditional borrowing.

b) Calculate the total cost of leasing for a machine priced at Rs. 50,000 with annual lease payments of Rs. 12,000 for five years. [5+5]

OR

9. Discuss the decision-making process involved in leasing versus purchasing. With example and brief on leasing decision in practice. [10]

10. Compare and contrast the different types of mergers and brief on a theory of merger. [10]

OR

11.a) Evaluate the cost of mergers and the factors influencing it.

b) Calculate the cost of a merger given the following data: acquiring firm's shares are priced at Rs. 50, and the target firm has 1,000,000 shares priced at Rs. 40. [5+5]

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