

Code No:764AF

JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD
MBA IV Semester Examinations, February - 2024
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 the role of risk in investment? [5]
- b) What is NPV, how it is calculated? [5]
- c) What is distributed payback? [5]
- d) Mention advantages of Hire Purchase. [5]
- e) What is the need for mergers? [5]

PART - B**(50 Marks)**

- 2.a) What is Monte Carlo approach ?
- b) What is the IRR of an investment which involves a current outlay of Rs.3,00,000/- which results in annual cash inflow of Rs.60,000/- for 7 years? [5+5]

OR

3. Investment in a machine is expected to cost Rs.10 crore. It is expected to give cash inflows in four years at Rs.3 Crore, Rs.4 Crore, Rs.5 Crore, Rs.7 Crore. What is its NPV, by assuming 10% risk free rate? [10]

4. AB Ltd. has started a project 5 years ago, which has remaining life of 5 years. The cash flow forecast (Rs. Crore) for the balance life is as below :

Year	1	2	3	4	5
Cashflow forecast	70	60	80	60	50

The salvage value at the end of 5th year is Rs.210 Crore. A third party has offered to buy this project for Rs.220 crore. The discount rate is 10%. What should AB Ltd. has to do? [10]

OR

5. X Ltd. is considering two mutually exclusive projects A and B, whose costs and cash flows (Rs. Crore) are as below?

Year	0	1	2	3	4
A	(1000)	100	300	500	700
B	(1000)	600	500	300	400

Calculate MIRR at rate 12%. [10]

6. Discuss post payback and surplus payback methods. [10]

OR

7.a) The expected cash flows of a project are as follows.

Year	0	1	2	3	4	5
Cash Flows(Rs. Crore)	(5.0)	1.0	1.5	1.7	2.5	3.0

The cost of capital is 12%. Calculate discounted pay back period.

b) Brief on Hertz simulation and Hillier approaches.

[5+5]

8. Write short notes on the following:

a) Leasing Vs. Hire Purchase

b) Leasing Vs. Operating risk

c) Borrowing Vs. procuring

[4+3+3]

OR

9. Write short notes on the following:

a) Leveraged lease

b) Financial Lease Vs. Operating Lease

c) Operating risk.

[4+3+3]

10. ABC Ltd. has a value of Rs.350 crore and XYZ Ltd. has a value of Rs.200 crore. If two companies merge, cost of savings with present value of Rs.40 crore would occur. ABC Ltd. offers Rs.250 crore cash compensation to acquire XYZ Ltd. What is the NPV of the merger of these companies?

[10]

OR

11.a) What are the types of mergers?

b) When do you prefer acquisition of a company?

c) Brief the guidelines of Government on takeovers.

[3+4+3]

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