(8 pages) **Reg. No. :** .....

Code No. : 7861 **Sub. Code : HBAE 35**

M.B.A. (CBCS) DEGREE EXAMINATION, NOVEMBER 2013.

Third Semester

Business Administration

Elective — PROJECT FINANCE

(For those who joined in July 2012 onwards)

Time : Three hours Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL questions.

Choose the correct answer :

1. Which of the following is the reasons for failure of projects?

   (a) Lack of proper planning

   (b) Inefficiency of line manager

   (c) Bad choice of technology

   (d) All of the above.

2. Who is responsible for policy making of a project

   (a) Client (b) Directorate

   (c) The manager (d) The contractor.

3. Which of the following is NOT a component of life cycle of a project?

   (a) Budgeted cost of a product

   (b) Cost of R & D

   (c) Maintenance cost

   (d) Construction cost.

4. Find bread even point when

   Sales Rs. 2,00,000; Variable cost 50%

   Fixed cost Rs. 50,000

   (a) Rs. 2,00,000 (b) Rs. 1,10,000

   (c) Rs. 1,00,000 (d) Rs. 1,25,000.

5. An analysis for safe-guard the interest of the public is

   (a) Socio-economic appraisal

   (b) Financial appraisal

   (c) Managerial appraisal

   (d) Post-feasibility study.

6. The relationship between σ and $\overline{X}$ is called as

   (a) NPV (b) IRR

   (c) C.V (d) PVI.

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7. The difference between present value of feature cash inflow and out flow is termed as

(a) P/V ratio (b) IRR

(c) BCR (d) NPV.

8. Which method is used to estimate cash flows by applying correlation factor

(a) Net present value

(b) Certainty equivalent coefficient

(c) Sensitivity analysis

(d) Co-efficient of variation.

9. Which of the following discipline reveals the relationship between human biological factors and natural environment

(a) Endomology (b) Andrology

(c) Ecology (d) Biology.

10. The expected time for cash activity in the project schedule is estimated by the formula

(a) $T_c = \frac{\overline{O} + 4m + p}{6}$ (b) $T_c = \frac{M - 60 + p}{6}$

(c) $T_c \frac{2m - 20 + p}{6}$ (d) None of the above.

PART B — (5 × 5 = 25 marks)

Answer ALL questions, choosing either (a) or (b).

11. (a) Define project. Describe briefly the salient features of the projects.

Or

(b) What are the attributes of a successful projects?

12. (a) Describe briefly salient features of a feasibility report.

Or

(b) What are the major contents of detailed project report?

13. (a) Discuss the sources of obtaining project finance in India.

Or

(b) What is NPV? State the criteria for appraising the project with the help of NPV.

14. (a) State the high-tech decision making process of project engineering team.

Or

(b) Bring out the methods of incorporating risk factors in capital expenditure decision.

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15. (a) What are the factors the influencing a project design?

Or

(b) What is value engineering? State the VE project plan.

PART C — (5 × 8 = 40 marks)

Answer ALL questions, choosing either (a) or (b).

16. (a) Elucidate the ten commandments of selecting location of the project.

Or

(b) What is meant by 'Detailed project report' and give an outline of DPR.

17. (a) Distinguish between matrix organization and task force organization structure.

Or

(b) You being a member of a project team of a large size petrochemical project, how do you advice you project manager awarding civil contracts worth Rs. 300 crores keeping in view not to do time over run and cost over run?

18. (a) Shoboz company Ltd factor performing a project appraisal and has arrival a two better option left to management where each cash flows and their success factor are as follows :

Possibilities	Project Q		Project K	
	Cash flow (Rs)	P	Cash flow	P
1	14,000	10	22,000	10
2	15,000	20	20,000	15
3	16,000	40	18,000	56
4	17,000	20	16,000	15
5	18,000	10	14,000	10

Both the project require initial investment of Rs.12,000. Determine the most risky out of the above two allinatives.

Or

(b) X Ltd is considering a project with the following cash flows :

	Year		
	0	1	2
Purchase of plant	(Rs. 7,000)	–	–
Running cost		Rs. 2,000	Rs. 2,500
Savings	–	Rs. 6,000	Rs. 7,000

The cost of capital is 8% measure the sensitivity of the project to changes in the

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The cost of capital is 8% measure the sensitivity of the project to changes in the levels of plant value, running costs savings (considering each factor at a time) so that the NPV becomes zero. Which factor is most sensitive to affect the acceptability of the project.

The NPV factor at 8% discount rate are :

0	1	2
1.000	0.926	0.857

19. (a) In recent years environmental concerns have assumed a great deal of significance and rightly so. Ecological analysis should be particularly for major projects which have significant ecological implications like power plants and irrigations schemes etc. Discuss the major issues involved while preparing the environmental impact statement.

Or

(b) "Project final reports are a perfect repository" of the knowledge and tools applied on every project which help in future performance. Discuss.

20. (a) Write a short notes on :

(i) Project procedure manual

(ii) Work break down structure

(iii) Mile stone payment plan.

Or

(b) Fazil chemical products limited have spilit their schedule of implementation into the following of activities and have estimated time duration under 3 scenarios as under :

(Time in weeks)

Activity	Optimistic time estimate	Pessimistic time Est	Most likely Time Est
1-2	5	11	8
1-3	18	26	22
2-4	15	25	20
3-4	4	12	8
4-5	8	12	10
3-5	14	26	20

Required

(i) Compute the expected time of completion and variance in each activity.

(ii) Construct a network diagram showing activity schedule and determine the critical path.

(iii) Indicate the floats available on cash activity.

(iv) What the probability of completing the project within 36 weeks?

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