Paper / Subject Code: 86008 / Finance: Project Management

TYBms/Sem VI/06.05.19

Time: 2½ Hours Total Marks: 75

Note: (1) All questions are compulsory.

(2) Figures to the right indicate full marks.

Q.1. Objective questions:

Q.1 (a) State whether the following are True or False (any 8): **(8 Marks)**

1. Capital intensive project involves small amount of investment.
2. Project structure provides a training ground to project managers
3. Depreciation is a non- cost item.
4. Feasibility study involves cash flow analysis
5. Delphi method is an individual decision making technique.
6. Lean means creating more value for customers with firm resources.
7. Risk monitoring and controlling involves keeping a track of the identified risk.
8. PMMM strengthens link between strategic planning and execution.
9. Project management consultants manage the project by application of their knowledge, skill and experience at various stages.
10. ARR method is based on accounting profit.

Q.1 (b) Match the Column (any 7): **(7 Marks)**

Column A	Column B
1. Project Manager	a) Depends on FMP
2. Debentures	b) Increases Financial Risk
3. High Gearing	c) has 5 Levels
4. Yield Value	d) Leader of Project Team
5. PMMM	e) Debt Security
6. Project Audit	f) When Testing Fails
7. Project Terminated	g) Controls Project
8. Numeric Project Selection	h) The sacred cow
9. Non Numeric Project Selection	i) Pay back period
10. System integration	j) Engineering process

Q.2. A company can make either of two investments. Required rate of return is 10%. Calculate Net Present Value and profitability index for each project from the following details: **(15 Marks)**

Particular	X	Y
Cost of Investment (Rs.)	2,00,000	2,80,000
Expected Life (No Salvage)	5 years	6 years
Cash Inflow		
1	50,000	80,000
2	50,000	1,00,000
3	60,000	60,000
4	60,000	80,000
5	60,000	80,000

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	Year 1	Year 2	Year 3	Year 4	Year 5
PV of Rs.1 @ 10% of:	0.909	0.826	0.751	0.683	0.621

OR

Q. 2 (a) How are project classified? **(8 Marks)**

Q. 2 (b) Explain Strategic Business Unit (SBU) in project management. **(7 Marks)**

Q.3 Calculate the operating leverage, financial leverage and combined leverage from the following data: **(15 Marks)**

Particulars	A Ltd	B Ltd
Output (in units)	3,00,000	75,000
Fixed Cost	36,000	70,000
Variable cost per unit (Rs.)	1.00	7.50
Selling price per unit (Rs.)	3.00	25

OR

Q. 3 (a) Discuss the importance of Project Feasibility Study. **(8 Marks)**

Q. 3 (b) Explain in detail Product Mix analysis. **(7 Marks)**

Q.4 Following is the Balance sheet of Raj Ltd as on 31st March, 2014 **(15 Marks)**

Liabilities	Rs.	Assets	Rs.
50,000 Equity Shares of Rs.20 each	10,00,000	Machinery	4,80,000
Securities Premium	2,00,000	Furniture	2,00,000
General Reserve	4,78,800	Stock	12,40,000
Profit & Loss A/C	3,14,000	Debtors	4,12,000
Creditors	8,18,000	Cash in hand	6,800
Provision for Tax	3,96,000	Cash at Bank	8,68,000
	32,06,800		32,06,800

Company transfer 20% of profit after tax to general reserve.

Net Profit before Taxation for the last 3 years have been as follows:

1. For the year ended 31/03/2012 Rs. 5,44,000
2. For the year ended 31/03/2013Rs. 7,32,000
3. For the year ended 31/03/2014 Rs. 7,88,000

Machinery is valued at Rs. 6,37,200. Average yield is 20%. The rate of Tax is 50%. Use simple average. Calculate value of equity share as per intrinsic value method and yield method.

OR

Q.4 (a) Explain Modern Development in Project Management. (7 Marks

Q.4 (b) What are the steps involved in termination of a project? (8 Marks)

Q.5 Case Study (15 Marks)

Mr. Ajay wants to start a Manufacturing Unit. He has Rs.1,05,200 in his bank account. His parents have promised to gift him Rs.3,50,000.

He has estimated the project cost at Rs. 18,00,000; of which machinery will be Rs. 15,25,000 and the balance amount will be for furniture and fittings. The bank finance is available to the extent of 80% of the project cost. He expects first year's sales at Rs. 40,00,000 with annual increase of 20% every year over previous year. The cost of sales will be 80% of sales. The rate of interest on loan will be 10% on reducing balance method. The loan is repayable @ Rs. 3,00,000 at the end of every year. He charges depreciation @ 20% on his fixed assets under straight line and his overheads for three years are Rs. 2,40,000; Rs.3,00,000 and Rs. 3,60,000 per year respectively. Assume Tax rate @30%.

You are required to prepare:

1. Income Statement for the first 3 years.
2. Amortization Schedule for loan.
3. Calculate the debt service coverage ratio and interest coverage ratio for the above 3 years.

OR

Q.5 Short Notes (Any 3) (15 Marks)

a) Types of Risks in Projects
b) Work Breakdown Structure
C) Matrix Organization
d) SWOT Analysis
e) Project Management Information System (PMIS)
