

END TERM EXAMINATION

SIXTH SEMESTER [BBA/(B&I)/(TTM)] MAY-2010

Paper Code: BBA/ (B&I)/(TTM) 304

Subject: Project Planning & Evaluation

Paper ID: 17/18/50304

Time : 3 Hours

Maximum Marks : 75

Note: Attempt any five questions. Normal distribution and other tables will be supplied on demand. All questions carry equal marks. Simple calculator is allowed.

- Ques. 1 (a)** Define the link between strategic planning and capital budgeting.
(b) Explain the following tools of portfolio planning: BCG Matrix , General Electric's stoplight matrix, and Mckinsey matrix.
 (5+10)

- Ques. 2 (a)** Describe briefly the aspects of a business environment that needs to be monitored and the dimensions a firm needs to appraise its strengths and weaknesses for identifying investment opportunities.
(b) Explain the sources of positive NPV.
 (10+5)

- Ques. 3 (a)** What is project management? Why do we need project management?
(b) What are the pre-requisites for a successful project implementation.
 (8+7)

Ques. 4 The balance sheet of ABC limited at the end of a year is given below:

Liabilities	Amount(000)	Assets	Amount(000)
Share Capital	500	Fixed Assets	1100
Reserves	400	Investments	50
Secured Loans	400	Current Assets	50
Unsecured Loans	300	Cash	100
Current Liabilities	600	Receivables	400
Provisions	100	Inventories	600
	2300		2300

The projected Income statement and the distribution of earnings (in Rs. 000) is given below:

Sales	2500
Cost of goods sold	1900
Depreciation	150
Profit before interest and tax	450
Interest	120
Profit before tax	330
Tax	180
Profit after tax	150
Dividends	100
Retained Earnings	50

During the following year, the firm plans to raise a secured loan of Rs. 1,00,000 to repay a previous term loan to the extent of Rs. 50,000. Current liabilities and provisions would increase by 5%. Further the firm plans to acquire fixed assets worth Rs. 1,50,000 and raise its investments by Rs. 50,000. Receivables are expected to increase by 6%. The level of cash would be the balancing amount in the projected balance sheet.

From the above given information, prepare a projected cash flow statement and projected balance sheet.

(7+8) P.T.O.

Ques. 5 (a) Three assets, A, B and C have expected returns of 12%, 18% and 24% respectively. The variances and covariances are as follows:

	A	B	C
A	0.02	0.01	-0.03
B	0.01	0.06	0
C	-0.03	0	0.08

What is the expected return and standard deviation of a portfolio consisting of 40% of funds in A, 30% of funds in B and remaining funds in C?

(b) Consider two portfolios, one consisting of 4 securities and the other consisting of 10 securities. All the securities have a beta of one and unique risk of 30%. Each portfolio distributes weight equally among its component securities. If the standard deviation of the market index is 20%, calculate the total risk of both portfolios.

(7+8)

Ques. 6 (a) What aspects are considered in technical analysis? List the factors affecting the appropriate choice of technology.

(b) Describe the different means of financing a project.

(9+6)

Ques. 7 A project consists of nine activities whose time estimates (weeks) and other characteristics are given below:

Activity	optimistic time	pessimistic time	most likely time	Preceding activities
A	2	4	6	----
B	6	6	6	----
C	6	12	24	----
D	2	5	8	A
E	11	14	23	A
F	8	10	12	B,D
G	3	6	9	B,D
H	9	15	27	C,F
I	4	10	16	E

Answer the following;

- Show the PERT network,
- Determine the critical path,
- What is the expected project completion time and its variance?
- What is the probability that the project will be completed in 30 weeks, and
- If the project is required to be completed by December 31 of a given year and the manager wants to be 95% sure of meeting the deadline, when should he start the project work.

(3x5)

Ques. 8 (a) How would you characterize the market?

(b) What is demand forecasting? Explain the various techniques used in demand forecasting.

(6+9)