

Roll No. _____

L M Thapar School of Management, Thapar University, Patiala
Mid-Term Examination

Course: MBA (Manufacturing)
Subject: Project Management
Subject Code: SB-114

Maximum Marks: 30
Year/Sem: 2008-09/EVENSEM2
Duration: **Two** Hours

Instructor: Pradeep K. Gupta

Note: Question No.4 is compulsory. Answer any **two** from the rest. Marks are indicated against the sub-part of each question.

- Q1:** (a) List the important suggestions helpful in scouting for project ideas. (3)
 (b) List the key aspects would you examine in a preliminary screening exercise of project ideas? (2)
 (c) Discuss briefly the impact of organizational structure and culture on Projects. (4)

- Q2:** (a) List the general sources of secondary information useful for market and demand analysis, available in India. (3)
 (b) Define 'Project' and the 'Project Management'. Also discuss the characteristics of the Project. (4)
 (c) List the important factors which have a bearing on the choice of technology for projects? (2)

- Q3:** Write short notes on the following:
 (a) Project Rating Index. (3)
 (b) Project Life Cycle. (3)
 (c) Business Case and Project Charter. (3)

- Q4: (A)** Microelectronics Corporation is currently at its target debt-equity ratio of 0.5:1. It is considering a proposal to expand capacity which is expected to cost Rs. 500 million and generate after-tax cash flows of Rs.130 million per year for the next eight years. The tax rate for the company is 30 %. Mahesh, the CFO of the company, has considered two financing options: (i) Issue of equity stock. The cost for the company on the new equity is 18 %. (ii) Issue of debentures at a cost of 13 %. PV Annuity Factor @15% for 8 years is 4.487.
 (a) What is the WACC for Microelectronics? Ignore fractions. (2)
 (b) What is the NPV of the proposal based on the above WACC? (3)

(B) Susheel Corporation has the following book value capital structure:

Equity Capital (10 million shares, Rs.10 par)	Rs.100 million
11% Preference Capital (100000 shares, Rs.100 par)	Rs. 10 million
Retained Earnings	Rs.120 million
13.5% Debentures (500000 debentures, Rs.100 par)	Rs. 50 million
12% Term Loan	Rs. 80 million

	Rs.360 million

The next expected dividend per share is Rs.1.50. The dividend per share is expected to grow @ 7%. The market price per share is Rs.20.00. Preference capital, redeemable at par after 10 years, is currently selling for Rs.75.00 per share (use Approximation method). Debentures, redeemable at par after 6 years, are selling for Rs.80.00 per debenture (use Approximation method). The tax rate for the company is 50%. Calculate the WACC using

- (a) Book value proportions, and (3)
 (b) Market value proportions. (4)