Roll No. ____________________

(Do not write anything on question paper except Roll No.)
[This paper consists of TWO Pages]

Jagan Institute of Management Studies

End-Term Examination, December, 2016 – January, 2017
Trimester V – PGDM (IB) 2015-17

Project Appraisal & Financing
ET_IB_PAF_2309

Time: 3 Hrs. *M. Marks: 70*

INSTRUCTIONS: Attempt any FIVE questions including Q1 & Q8 which are compulsory.

Q 1 **a)** How is the investment projects in India evaluated from the social cost benefit point of view? **6**

b) The following details are available in respect of a project:

Value of tradable inputs at domestic prices	Rs. 700 crores
Value of non-tradable inputs at domestic prices	Rs. 180 crores
Value of tradable inputs at world prices	Rs. 560 crores
Sales realization at domestic prices	Rs. 1,000 crores
Sales realization at world prices	Rs. 800 crores

Calculate

i) Effective rate of protection (ERP) of the project. Comment on the ERP.

ii) If the exchange rate of rupee per US dollar is 65, what is the domestic resource cost of the project? **10**

Q 2 **a)** Explain the factors necessary to identify sound investment opportunities. **6**

b) Discuss in brief the sources of obtaining project finance in India **6**

Q 3 What types of information are required to study the commercial feasibility of a project? As a project manager how will you analyze these in formations? Discuss. **12**

Q 4 You being a member of the cost monitoring team for a cement manufacturing project in Rajasthan, how would you apprise the management about the status of the project through a monthly reporting system highlighting success /failure of contractor and consequent cost overrun? Suggest the techniques to overcome such overrun to the management. **12**

Q 5 Discuss the mistakes normally committed by management in project execution which may lead to project failure. **12**

Q 6 Discuss in brief the technique of financial appraisal used by various financial institutions in India. Illustrate with the help of an imaginary example. **12**

Q 7 What aspects are considered in technical analysis of a project? What factors have a bearing on choice of technology? **12**

Q 8 An ABCL industry is planning to introduce a project with a projected life of 8 years.

The project, is to be set up in backward region, qualifies for a one time (at its starting) tax free subsidy from the Government of Rs. 20 lakh. Initial cost will be Rs. 1.40 crore and additional equipment costing Rs. 10 lakh will be needed at the beginning of the third year. At the end of 8 years, the original equipment will have no resale value, but the supplementary equipment can be sold for Rs. 1 lakh. A working capital of Rs. 15 lakh will be needed. The sales volumes over the eight year period have been estimated as follows

Years	1	2	3-5	6-8
Units	80,000	1,20,000	3,00,000	2,00,000

A sale price of Rs.100 per unit is expected and variable expenses will amount to 40% of sales revenue. Fixed cash operating cost will amount to Rs. 16 lakh p.a. In addition, an extensive advertising campaign will be implemented requiring annual outlay as:

Years	1	2	3-5	6-8
Amount (Rs.Lakh)	30	15	10	4

Tax rate 30%. Method of depreciation – straight line method, appropriate after tax cost of capital is 12%. Should the project be accepted if the company has enough income from its existing products?

(PV factor at 12% is given as below:

Year	1	2	3	4	5	6	7	8
PVF	0.893	0.797	0.712	0.636	0.567	0.507	0.452	0.404)

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