MCOSC-3.2A

Sl.No. : **Total No. of Pages : 3**

III Semester M.Com. Degree Examination, February- 2024
(SLM Scheme CBCS)
COMMERCE
Course-V A/D : Project Appraisal and Infrastructure Finance

Time : 3 Hours **Max. Marks : 80**

SECTION - A

Answer any four questions. Each question carries five marks. **[4×5=20]**

Q1) Why are capital expenditure considered as the most important decision for a corporate Firm?

Q2) Mention any four sources to identify Project ideas.

Q3) What is Project rating Index?

Q4) List any four techniques of Risk Analysis.

Q5) What is PERT activity & event?

Q6) Write any four factors leading to error & uncertainty.

SECTION - B

Answer any three questions. Each question carries ten marks. **[3×10=30]**

Q7) Explain the Phases of Project Life Cycle.

Q8) What are the problems faced as a Project Manager? How would you administer them?

Q9) Discuss the benefits of infrastructure financing.

Q10) Write a detailed note on Capital markets role in infrastructure financing in India.

Q11) ITC Ltd. are thinking of investing in a project costing of ₹ 20 Lakhs. The life of the project is five years and the estimated salvage value of the project is zero. Straight line method of charging depreciation is followed. The tax rate is 50%. The expected cash flows before tax are as follows.

Year	1	2	3	4	5
Estimated cash flows before depreciation and tax (₹ in Lakhs)	5	6	9	9	10

You are required to determine

a) Average rate of return

b) Net present value of the project

SECTION - C

Answer any two questions. Each question carries fifteen marks. **[2×15=30]**

Q12) Explain in detail the Facets of Project Analysis.

Q13) Discuss the benefits of infrastructure financing. Explain the parties involved in it.

Q14) Explain the Tax implications in infrastructure finance.

Q15) Naveen Enterprises is cosidering a capital project about which the following information is available. The investment outlay on the project will be ₹100 million. This consists of ₹80 million on plant and machinery and ₹20 million on net working capital. the outlay will be incurred at the beginning of the project.

The project will be financed with ₹45 million of equity capital, ₹5 million of preference capital, and ₹50 million of debt capital. Preference capital will carry a dividend rate of 15 percent; debt capital will carry an interest rate of 15 percent. The life of the project is expected to be 5 years. At the end of 5 years, fixed assets will fetch a net salvage value of ₹30 million whereas net working capital will be liquidated at its book value. The project is expected to increase the revenues of the firm by ₹120 million per year. the increase in costs on account of the project is expected to be ₹80 million per year. (This includes all items of cost other than depreciation, interest, and tax). The effective tax rate will be 30 per cent. Plant and machinery will be depreciated at the rate of 15 percent per year as per the written down value method. Hence, the depreciation charges will be:

First year	:	₹12.00 million
Second year	:	₹10.20 million
Third year	:	₹8.67 million
Fourth year	:	₹7.37 million
Fifth year	:	₹6.26 million

Given the above details, Prepare the project cash flows.

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