

END TERM EXAMINATION

SIXTH SEMESTER [BBA/TTM/B&I/MOM] MAY-2014

Paper Code: BBA(TTM/B&I/MOM)304**Subject: Project Planning & Evaluation****Time: 3 Hours****Maximum Marks: 75****Note: Attempt any five questions. All questions carry 15 marks each.**

- Q.1 Kilns Ltd., a HDPE bag manufacturing company set-up in 2010 was doing quite well in spite of the economic and political adversities, when it faced a problem from the least expected quarter – its own labour force. Union had been set-up in 2012 and has now been demanding greater autonomy with representation in the equity as well as enhancement of working conditions. Though the management is as enhancement of working conditions. Though the management is thinking of installing a building for canteen and recreational purposes. This would also act as a stoppage from the union pressure. The total cost for the canteen project was estimated at Rs.80.00 lacs. The work will commence with the laying of foundation and building walls and ends with the connection of all services for the canteen to start functioning. While this involves a whole lot of detailed services, the following major lists of activities have been prepared with other relevant details. Job codes have been provided to simplify matters. Job A must precede all other jobs while Job E must follow others. Apart from this jobs can occur concurrently. (15)

Code	Job Description	Time in Days			Normal cost*	Crash Days	Crash Cost*
		t_0	t_m	t_p			
A	Lay foundation and build walls	3	5	7	3,000	4	4,000
B	Title roofing	5	6	7	1,200	2	2,000
C	Install electricity	1	3	11	1,000	3	1,800
D	Install plumbing	2	4	12	1,200	3	2,000
E	Connect all services to finish & handover	1	3	5	1,600	3	1,600

- Cost in thousand of rupees.

The labour union is threatening to go on strike and it is imperative for the management to complete this project and appease the work force. A strike will play havoc with the production schedule, not to mention the loss of bulk order from the middle east, a market the company is penetrating for the first time. You have been appointed a project consultant and you are expected to expedite the project with optimal considerations of cost and time. Required:

- Draw the network and identify the normal time for completion of the project
 - Crash the project network fully to find out the minimum time during which the project can be completed.
 - If indirect costs are Rs. 3,00,000 per day, determine the optimal trade-off for the project.
- Q.2 Briefly explain the methodology of incorporating risk in projects. What are the techniques of risk analysis? (15)
- Q.3 Explain the major facets of market analysis. Do you think that it is most important part of the project feasibility? Give reasons for your answer. (15)
- Q.4 (a) Discuss the factors that affect the plant location. (7)
(b) What are the various factors to be considered in technical appraisal of projects? (8)
- Q.5 State the major components of cash flows for a project. What considerations must be kept in mind at the time of estimating cash flows? (15)
- Q.6 Briefly describe the following:- (3x5=15)
(a) Critical Path (b) Total Float (c) Slack
(d) Human aspects of Project management (e) Errors in Network Diagram.
- Q.7 The finance managers of TT foods Ltd. is appraising two projects X and Y. The NPV of X is more than NPV of Y but IRR of Y is more than IPR of X. The finance manager was keen on accepting Project Y as according to him IRR does not change with the change in the cost of capital and hence can be regarded as a superior criterion to NPV. Do you agree with him? Substantiate your answer listing the various virtues and limitations of IRR. State the circumstances when a conflict between IRR and NPV arise. (15)
- Q.8 What are the various sources of project financing? Also explain how to raise capital in international market. (15)

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