JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD
MBA – IV Semester Examinations, February -2012
STRATEGIC INVESTMENT AND FINANCING DECISIONS

Time: 3hours   Max. Marks: 60

Answer any <u>five</u> questions
All questions carry equal marks
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1. Describe the key features of normal distribution.

2. Discuss the steps involved in decision tree analysis.

3. How do you calculate the ARR? What are its limitations?

4. What is a leveraged lease? What are its merits and demerits?

5. What are the important reasons for mergers and take over?

6. Define capital structure. What are the elements of a capital structure?

7. How can the probability theory be utilised in analysis risk of investment project? Illustrate?

8. A co. is considering a new equipment. The net cash flows of the equipment have been estimated as given below. The equipment's life is estimated to be two years.

	Year - 1	Probability	Year - 2	Probability
Net cash flows	12000	0.4	7000	0.6
Net cash flows	14000	0.6	13000	0.6
Net cash flows	--	--	14000	0.5
Net cash flows	--	--	22000	0.7

The cost of equipment is Rs.20000 and the company's cost of capital is 12%. Use decision tree approach to recommend whether the equipment should be bought or not.

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