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| **SESSION** | **FEB-MAR 2025** |
| **PROGRAM** | **MASTER OF BUSINESS ADMINISTRATION (MBA)** |
| **SEMESTER** | **3** |
| **COURSE CODE & NAME** | **DPRM303 AND PROJECT FINANCE AND BUDGETING** |
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**Assignment Set – 1**

**Q1. Define project finance and explain its significance in the context of large-scale infrastructure projects. How does project finance differ from traditional corporate finance? 2+4+4**

**Ans 1.**

**Project Finance**

Project finance is a financial structuring approach where the funding and repayment of a project rely solely on the project's future cash flows and assets, rather than the creditworthiness or balance sheet of the project sponsor. A Special Purpose Vehicle (SPV) is created, which owns the project and bears the risks and rewards. The SPV isolates project risks, allowing investors to evaluate the feasibility of the project independently from the parent company.

**Significance in Large-Scale Infrastructure Projects**

In the context of large-scale infrastructure projects—such as highways, railways, airports,

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**Q2. What are the main steps involved in quantitative risk analysis, and how do they contribute to a comprehensive understanding of project risks 5+5**

**Ans 2.**

**Quantitative Risk Analysis: Steps and Contribution to Risk Management**

**Quantitative Risk Analysis**

Quantitative Risk Analysis (QRA) is a mathematical approach used to assess the probability and potential impact of identified project risks. Unlike qualitative analysis, which relies on judgment, QRA applies statistical techniques to evaluate risks numerically. This helps project managers quantify uncertainties, forecast risk impact, and prepare better mitigation strategies. It is especially useful in large, complex projects where uncertainty can cause substantial

**Q3. Analyse the concept of optimal capital structure. How do companies determine the right mix of debt and equity to finance their projects? 3+7**

**Optimal Capital Structure: Concept and Determination of Debt-Equity Mix**

**Optimal Capital Structure**

The optimal capital structure is the best combination of debt and equity that minimizes a company’s cost of capital and maximizes its overall value. This mix varies across firms and industries depending on risk profile, cash flow stability, growth opportunities, and market conditions. Achieving the right balance is crucial to ensure financial health and strategic flexibility.

**Advantages and Disadvantages**

Debt is usually cheaper due to tax-deductible interest, but it increases financial risk through

**Assignment Set – 2**

**Q4. XYZ company expects the following net cash inflows for the next five years: Rs 20,000, Rs.25,000, Rs.30,000, Rs.35,000, and Rs.40,000 respectively from the Project. The initial investment of project is Rs.50,000**

**Calculate:**

**Payback period**

**Post payback profitability**

**Net present value when the discount rate is 10%. 3+3+4**

**Given:**

* Initial Investment = Rs. 50,000
* Net Cash Inflows over 5 years = Rs. 20,000, Rs. 25,000, Rs. 30,000, Rs. 35,000, Rs. 40,000
* Discount Rate (r) = 10%

**1. Payback Period (3 Marks)**

**Formula:**

**Q5. Define working capital and discuss some factors that influence a company's working capital requirements 3+7**

**Ans 5.**

**Working Capital and Factors Influencing Its Requirements**

**Working Capital**

Working capital refers to the short-term financial resources a company requires for its day-to-day operations. It is calculated as the difference between current assets and current liabilities. Current assets include items such as cash, accounts receivable, and inventories, while current liabilities consist of obligations like accounts payable and short-term debts. The purpose of working capital is to ensure that a business has sufficient liquidity to manage its operational

and operate efficiently, which is vital for long-term sustainability.

**Q6. What is the Role of a Finance and Insurance Advisor in Project Finance. Write in detail. 5+5**

**Ans 6.**

**Role of Finance and Insurance Advisor in Project Finance**

**Project Finance Advisory**

In the realm of project finance, the role of finance and insurance advisors is critical to the success and sustainability of a project. Project finance involves the long-term funding of infrastructure and industrial ventures based on projected cash flows rather than the balance sheets of sponsors. Finance and insurance advisors contribute significantly by providing expert guidance on structuring financial models, mitigating risks, and ensuring appropriate