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| **SESSION** | **FEBRUARY - MARCH 2024** |
| **PROGRAM** | **MASTER OF BUSINESS ADMINISTRATION (MBA)** |
| **SEMESTER** | **3** |
| **COURSE CODE & NAME** | **DPRM303 - PROJECT FINANCE AND BUDGETING** |
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|  |  |

**Assignment Set – 1**

**1. Define project finance and explain why it is commonly used for large infrastructure projects.**

**Ans 1.**

**Project Finance**

Project finance refers to the long-term financing of infrastructure and industrial projects based on the projected cash flows of the project rather than the balance sheets of its sponsors. This type of financing is typically used for projects that require a significant amount of capital investment and have a long gestation period. The key feature of project finance is that the project's assets, rights, and interests are held as collateral for the loan, and the project's cash flow is the primary source of repayment.

**Characteristics of Project Finance**

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**2. Define working capital and discuss some factors that influence a company's working capital requirements**

**Ans 2.**

**Definition of Working Capital**

Working capital is the difference between a company's current assets and current liabilities. It is a financial metric that represents the short-term liquidity of a business and its ability to meet its short-term obligations. Essentially, working capital is the capital used in the day-to-day operations of a business, ensuring it can continue its activities without facing liquidity issues. The formula to calculate working capital is:

Working Capital=Current Assets−Current Liabilities

**Factors Influencing Working Capital Requirements**

**Nature of Business**

The nature of a business significantly impacts its working capital needs. Manufacturing

**3. What is the Role of a Legal Advisor in Project Finance. Write in detail.**

**Ans 3.**

**Role of a Legal Advisor in Project Finance**

In project finance, the role of a legal advisor is pivotal to the successful execution and management of large-scale infrastructure and industrial projects. Legal advisors provide comprehensive legal support and ensure that all aspects of the project comply with relevant laws and regulations. Their involvement spans the entire lifecycle of the project, from initial structuring and financing to construction and operation. Here are the key roles and

**Assignment Set – 2**

**4. 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:**

**a. Payback period**

**b. Post payback profitability**

**c. Net present value when the discount rate is 10%.**

**Ans 4.**

**a. Payback Period:**

The payback period is the time it takes for the project to generate enough cash inflows to cover its initial investment. To calculate the payback period, we can use the following steps:

1. List the net cash inflows in a table:

|  |  |
| --- | --- |
| **Year** | **Net Cash Inflows** |
| 1 | 20,000 |
| 2 | 25,000 |
| 3 | 30,000 |
| 4 | 35,000 |
| 5 | 40,000 |
|  |  |

2. Add up the net cash inflows until they exceed the initial investment of Rs.50,000:

|  |  |  |
| --- | --- | --- |
| **Year** | **Net Cash Inflows** | **Cumulative Total** |

The NPV of the project is Rs.152,506 when the discount rate is 10%.

**5. What are project resources, and why are they essential for project execution?**

**Ans 5.**

Project resources encompass all the necessary elements required for the successful execution and completion of a project. These resources include human resources (team members, managers, stakeholders), financial resources (budget, funding), physical resources (equipment, materials, facilities), and intangible resources (time, information, expertise). The effective allocation and management of these resources are fundamental to achieving project

**6. Explain the concept of project risk management and discuss strategies for mitigating project risks**

**Ans 6.**

Project risk management is the process of identifying, assessing, and responding to potential events or conditions that could negatively impact a project's objectives. These risks can stem from various sources, such as technical failures, financial issues, resource constraints, or external factors like market changes and regulatory shifts. Effective risk management aims to minimize the probability and impact of these adverse events, ensuring the project stays on