



# MARRI LAXMAN REDDY INSTITUTE OF TECHNOLOGY AND MANAGEMENT

(AN AUTONOMOUS INSTITUTION)

(Approved by AICTE, New Delhi & Affiliated to JNTUH, Hyderabad)

Accredited by NAAC with 'A' Grade & Recognized Under Section 2(f) & 12(B) of the UGC act, 1956

## COURSE CONTENT

STRATEGIC INVESTMENT AND FINANCING DECISIONS								
IV SEMESTER								
Course Code	Category	Hours/Week			Credits	Maximum Marks		
20MBA026F	Professional Elective	L	T	P	C	CIE	SEE	Total
		4	-	-	4	30	70	100
Contact Classes:60	Tutorial Classes: Nil	Practical Classes: Nil			Total Classes: 60			
<b>Prerequisite:</b> Basic concepts of Strategic investment and financing decisions								

### COURSE OVERVIEW:

This course provides a comprehensive understanding of investment and financing decisions under conditions of risk and uncertainty. It covers techniques for evaluating projects, including capital budgeting methods, risk analysis, and appraisal tools. The course also examines strategic investment choices such as leasing and disinvestment decisions, along with financing aspects like mergers and acquisitions. Overall, it equips learners with analytical skills for effective financial decision-making in complex business environments.

### COURSE OBJECTIVES:

- To understand investment decision-making under conditions of risk and uncertainty using techniques such as sensitivity analysis, decision trees, and simulation methods.
- To analyze various types of investment and disinvestment decisions, including IRR methods, capital budgeting under inflation, and adjusted net present value.
- To evaluate and critically assess different project appraisal techniques and their application in capital budgeting decisions.
- To examine strategic investment decisions such as leasing, hire purchase, and financing alternatives in business organizations.
- To understand financing decisions related to mergers and acquisitions, including their strategies, types, and regulatory aspects.

### COURSE OUTCOMES: After Completion of the course, students should be able to

1. analyze investment decisions by applying various risk and uncertainty assessment methods such as sensitivity analysis, decision trees, and simulation.
2. evaluate different types of investment and divestment opportunities using appraisal techniques like modified internal rate of return and adjusted net present value.
3. compare capital budgeting appraisal techniques, including discounted payback, post-payback, and surplus life, for effective project selection.

4. differentiate between lease financing, hire purchase, and installment decisions, and assess the strategic advantages of each option.
5. formulate financing strategies for corporate restructuring by examining the theories, types, and costs of mergers and acquisitions.

### **UNIT-I INVESTMENT DECISIONS UNDER CONDITIONS OF RISK UNCERTAINTY**

Concepts of risk and uncertainty. Risk analysis in investment decisions. Risk adjusted rate of return, certainty equivalents, and probability distribution of cash flows, decision trees, sensitivity analysis and Monte Carlo approach to simulation. Investment decisions under capital constraints: capital rationing vs. portfolio. Portfolio risk and diversified projects.

### **UNIT-II INVESTMENTS AND DISINVESTMENTS**

Types of investments and disinvestments, project abandonment decisions, evidence of internal rate of return. Multiple internal rate of return, modified internal rate of return, pure, simple and mixed investments. Lorie savage paradox. Adjusted net present value and Impact of inflation on capital budgeting decisions.

### **UNIT-III CRITICAL ANALYSIS OF APPRAISAL TECHNIQUES**

Discounted pay back, post pay back, surplus life and surplus payback, bail out pay back, return on investment, equivalent annual cost, terminal value, single period constraints, multi period capital constraint and an unresolved problem. Net present value mean variance analysis, hertz simulation and hillier approaches. Significance of information and data bank in project selections.

### **UNIT-IV STRATEGIC ANALYSIS OF SELECTED INVESTMENT DECISIONS**

Lease financing, leasing vs. operating risk, borrowing vs. procuring. Hire purchase and installment decisions. Lease risk management, leasing as a Financing decision, advantages of leasing, and leasing decision in practice.

### **UNIT-V FINANCING DECISIONS**

Mergers and acquisitions basic issues, strategy , diversification and mergers and acquisitions ,theories of mergers, types of mergers, cost of mergers, government guidelines for takeover, problems on mergers and acquisitions. Latest Amendments in Strategic Decisions

#### **TEXT BOOKS:**

1. Harony, J. and I. Swary, —Quarterly Dividends and Earnings Announcements, AFA, 1st Edition, 1981.
2. Altman, E.I. and Kishore, —The Default Experience of U.S. Bonds, Salomon Center, 1st Edition, 1999.
3. Baumol, W.J. and R.E. Quandt, —Investment and Decision Rates under Capital Rationing - A Programming Approach, The Economic Journal, 1st Edition, 1965.

### REFERENCE BOOKS:

1. Baumol, William J, the Transactions Demand for Cash: An Inventory Theoretic Approach Oxford University Press, 1st Edition, 1952.
2. A.N. Sridhar, Strategic Financial Management, Shroff Publishers, 3e, 2018
3. MY Khan and PK Jain: Financial Management: Text, Problems & Cases, TMH, 2012

### ELECTRONIC RESOURCES:

1. <http://lib.mdp.ac.id/ebook/Karya%20Umum/Karya%20UmumStrategic%20Financial%20Management.pdf>
2. <http://bookboon.com/en/strategic-financial-management-ebook>.
3. <http://utab.ac.rw/books/1410447221.pdf>

### MATERIALS ONLINE:

1. Course template
2. Tutorial question bank
3. Tech talk and Concept Video topics
4. Open-ended experiments
5. Definitions and terminology
6. Assignments
7. Model question paper – I
8. Model question paper – II
9. Lecture notes
10. PowerPoint presentation
11. Drishya Siksha Sangrah (DSS) Videos

