Roll No: -------------------------

UNIVERSITY OF PETROLEUM AND ENERGY STUDIES

End Semester Examination, May 2018

Program: BBA LL.B | **Semester: VIII**
Subject (Course): Corporate Finance & Investment Regulations | **Max. Marks: 100**
Course Code: LLBL 453 | **Duration: 3 Hrs**
No. of page/s: 3

Section A-Fill ups/ True & False/ Short Answer type questions
Attempt All
(1 marks each= 10 marks)

1. Opportunity cost is ……………………………………………………………………
2. The higher the risk of project, higher must be the discount rate. (True/ False)
3. WACC ……………………………………………………………………………………
4. The amount of working capital requirement does not depends, *inter alia*, upon the nature of business. (True/ False)
5. The risk free rate of return is 4% and the market risk premium is 8%. What is the expected rate of return on a stock with a beta of 1.28?
6. Operating Leverage is ……………………………………………………………………
7. Call options gives the holder the right and the obligation, to buy a given quantity of some asset on or before certain time in the future, at prices agreed upon today. (True/ false)
8. Spot rate is the rate ……..…………………….....………., and forward rate is the rate …………………………………………………
9. Dr. Strange wants Rs.50,000/- after 3 years and interest rate is 6% compounded semi-annually. What is the present value of her investment?
10. Arbitrageurs are ………………………………………………………………………..

Section B-Short answer type Conceptual questions
Attempt All
(5 X 4= 20 marks)

1. Explain working capital and it’s various approaches of financing working capital management?

2. What is the difference between forward and futures contracts?
3. Write a short note on Black Scholes Option Pricing Model.
4. Mr. Bucky is thinking of investing in a recurring deposit scheme that offers an interest rate of 12% per annum. The investment that he is planning is for the higher education of his son who is just two year now. In case the investor decides to invest Rs.20,000/- every year, what will be the total money available to him when his son reaches the age of 20 years?

Section C-Analytical questions
Attempt All
(10 X 2= 20 marks)

1. Indian firm needs funds for its US operations. The firm raises funds in Indian rupees and commits to serve the interest obligation and the final repayment in Indian rupees. The funds raised in rupees are converted in US $ to acquire assets in USA. These assets provide income in US $. The Indian firm is facing a risk of appreciation of rupee. Discuss the elements of risk that an Indian firm will face. Suggest the solution to eliminate the risk with the help of any example.
2. Explain the techniques of evaluation of capital budgeting decisions.

Section D-Application based Case study
Attempt All
(50 marks)

1. State the role of FDI and NRI investment in mobilization of corporate finance. Also state the recent regulations introduced by Central Government to boost FDI investments into the country and the amendments brought by new FDI policy.

(15 marks)

2. Mr. Tony Stark, a gold trader has observed that gold prices and stock prices move in opposite directions. He is holding some stock of gold and expecting a decline in the prices. Applying the principle of hedging of taking opposite positions, he shorts the stock index futures. Is he hedging or is it an inadvertent speculation? Discuss

(15 marks)

3. Avengers Co. Ltd. made a choice between two competing proposal which require an equal investment of Rs.50,000/- are expected to generate cash flow as under. Cost of Capital of the company is 10%.

Year	Machine X	Machine Y
1	25,000	10,000
2	15,000	12,000
3	10,000	18,000
4	12,000	25,000
5	12,000	8,000
6	6,000	4,000

Which proposal should be accepted by Avengers Co. Ltd.? Calculate-

a) Pay back period
b) Average rate of return (ARR)
c) Net Present Value (10% PV factor)
d) Internal Rate of Return (IRR)
e) Find out the point of indifference between NPV & IRR in both the proposal

(20 marks)

Roll No: --------------------------

UNIVERSITY OF PETROLEUM AND ENERGY STUDIES

End Semester Examination, May 2018

Program: BBA LL.B **Semester: VIII**
Subject (Course): Corporate Finance & Investment Regulations **Max. Marks: 100**
Course Code: LLBL 453 **Duration: 3 Hrs**
No. of page/s: 3

Section A- Fill ups/ True & False/ Short Answer type questions

Attempt All

(1 marks each= 10 marks)

1. WACC ……………………………………………………………………………………
2. The amount of working capital requirement does not depends, *inter alia*, upon the nature of business. (True/ False)
3. Leverage can be defined as ……………………………………………………………….
4. The higher the risk of project, higher must be the discount rate. (True/ False)
5. Opportunity cost is …………………………………………………………………
6. The expected rate on GIO Inc. stock is 13.69% while the expected return on the market is 11.5%. The beta of GIO Inc. is 1.3. What is the risk free rate of return?
7. Call options gives the holder the right and the obligation, to buy a given quantity of some asset on or before certain time in the future, at prices agreed upon today. (True/ false)
8. Spot rate is the rate ……..……………………..………., and forward rate is the rate ………………………………………………….
9. Mr. Bucky wants Rs.50,000/- after 3 years and interest rate is 6% compounded semi-annually. What is the present value of her investment?
10. Three kinds of participants in derivatives market with different motives are……………………., …………………… & ………….……….

Section B-Short answer type Conceptual questions

Attempt All

(5 X 4= 20 marks)

1. What is the difference between forward and futures contracts?
2. Define Capital Budgeting. Explain any two advantages and limitations of capital budgeting.
3. Mr. Thor is thinking of investing in a recurring deposit scheme that offers an interest rate of 12% per annum. The investment that he is planning is for the higher education of his son who is just two year now. In case the investor decides to invest Rs.20,000/- every year, what will be the total money available to him when his son reaches the age of 20 years?
4. Write a short note on Black Scholes Option Pricing Model.

Section C-Analytical questions
Attempt All
(10 X 2= 20 marks)

1. Firms are making efforts to cut down the operating cycle chain because a significant amount of funds gets tied up in it. Discuss in context of Indian firms.
2. Indian firm needs funds for its US operations. The firm raises funds in Indian rupees and commits to serve the interest obligation and the final repayment in Indian rupees. The funds raised in rupees are converted in US $ to acquire assets in USA. These assets provide income in US $. The Indian firm is facing a risk of appreciation of rupee. Discuss the elements of risk that an Indian firm will face. Suggest the solution to eliminate the risk with the help of any example.

Section D-Application based Case study
Attempt All
(50 marks)

1. A gold trader has observed that gold prices and stock prices move in opposite directions. He is holding some stock of gold and expecting a decline in the prices. Applying the principle of hedging of taking opposite positions, he shorts the stock index futures. Is he hedging or is it an inadvertent speculation? Discuss

   (15 marks)

2. State the role of FDI and NRI investment in mobilization of corporate finance. Also state the recent regulations introduced by Central Government to boost FDI investments into the country and the amendments brought by new FDI policy.

   (15 marks)

3. Marvels Co. Ltd. made a choice between two competing proposal which require an equal investment of Rs.50,000/- are expected to generate cash flow as under. Cost of Capital of the company is 10%.

Year	Machine X	Machine Y
1	25,000	10,000
2	15,000	12,000
3	10,000	18,000
4	12,000	25,000
5	12,000	8,000
6	6,000	4,000

Which proposal should be accepted by Marvels Co. Ltd.? Calculate-

f) Pay back period
g) Average rate of return (ARR)
h) Net Present Value (10% PV factor)
i) Internal Rate of Return (IRR)
j) Find out the point of indifference between NPV & IRR in both the proposal.

(20 marks)