Name: **Enrolment No:**	UPES

UNIVERSITY OF PETROLEUM AND ENERGY STUDIES

End Semester Examination, 2019

Course : Financing Petroleum Sector Project — Semester: III
Program : MBA (Oil and Gas) — Code: FINC8015
Time : 03 hrs. — Max. Marks: 100

Instructions: Scientific Calculator is allowed

NOTE : ATTEMPT ALL QUESTIONS

SECTION A

S. No	**Multiple Choice Questions**	**Marks**	**CO**
1	What results in uniform cash flows for an indefinite period: (a) Annuity (b) Perpetuity (c) Cash Flows (d) Profitability	**2**	**3**
2	Which decisions relate to acquisition of asset and generally have long term strategic implications? (a) Investing (b) Financing (c) Dividend (d) Working Capital	**2**	**2**
3	Which of the following statements is not a correct explanation of the capital asset pricing model? a) Beta gives a measure of the extent of market related risks which are non-diversifiable b) When beta value is 1.0, the investment is considered to be of normal risk c) The expected return on an investment with a beta value of 2.0 is twice as high as the market rate of return d) The expected return from an investment with negative beta would be less than the risk-free rate of return.	**2**	**2**
4.	For applying IRR, ______________ is considered: (a) Profit After Tax (b) Profit After Tax and Before Depreciation (c) Profits Before Tax (d) Profit Before tax and After Depreciation		**1**
5	The discounting rate which equates the PV on inflows with PV of outflows is knows	**2**	**4**

	as………… a. Internal rate of return b. Accounting rate of return c. Payback period d. Net benefit cost ratio		
6	If Beta<1, then this is …………………….type of a Security a. Neutral b. Aggressive c. Passive d. Both a & b above	**2**	**4**
7	Book building is a process of ____	**2**	**3**
8	Cost of Retained Earnings is equivalent to a. Opportunity Cost, b. Kp c. Kd d. Ke	**2**	**1**
9	(D_1 / P_0) + g may be used for…………………………………………… a. Kr b. Kd c.Kp d. Ko	**2**	**1**
10	The securitization applicable for the manufacturing firms is a. Synthetic Securitization b. True Value Securitization c. Both d. None	**2**	**2**
	SECTION B		
11	Write a short note on "Listing"	**5**	**4**
12	Write a short note on "Role of SPV in Securitization".	**5**	**3**
13	Write a short note on "Depository Receipt"	**5**	**4**
14	Write a short note on "Parties to secondary Share trading"	**5**	**3**
	SECTION-C		
15	What do you mean by Securitization? Discuss the process, types and significance of securitization to Indian industries.	**10**	**3**
16	Discuss the long term institutional debt options available to Indian firms.	**10**	**5**

17	What is the importance of risk identification to the risk management process? Discuss the process of Risk Identification.	**10**	**5**

SECTION D

18 XYZ Ltd for its project investments intends to raise 1200 crores from debt, preference, common equity and retained earnings with a volume of Rs 200 crores, 300 crores, 400 crores and 300 crores respectively. The company considers the following heads of capital for its capital structure.

The company intends to raise the debt by issuing 13 %, 8 year redeemable debenture to be redeemed at a premium of 18 % at the end of the maturity period. The face value of the debenture is Rs100 and it is intended to be issued at a discount of 20 % and a flotation cost of 10% on realized value. The applicable tax rate for the interest is 28 %. The company decides to calculate the cost of debt without incorporating time value of money.

The company also considers issuing a 5-year Preference equity with a face value of Rs 10 at a premium of 12 %. The flotation cost is 8 % of the face value. The preference equity is planned to be redeemed in following manner over the period of maturity.

Year	Redemption of Face Value (Rs)
1	2
2	3
3	1
4	1
5	3

The company also considers paying a premium of 25 % to be paid at the end of the maturity period. The company decides to incorporate time value of money for the estimation of cost of preference equity. The expected tax rate is 30% for this scenario.

For the equity issue the bankers have advised that the company would have to offer a discount of 20 % on the current market price of Rs 400 per share. The face value of the share is Rs 100. The company can go ahead with plan of dividend of Rs 15 in the very first year. The flotation cost would be 12 % of the issue proceeds.

The simulated past information regarding the dividend of an equal size organization is as follows:

Year	Dividend
1	16
2	6
3	8
4	10
5	4

30 **4**

	A. Suggest the Weighted Average cost of Capital for the firm B. Suggest whether the company should accept the proposal of the merchant bankers if the expected market return on the project is 24 %.		