Name: **Enrolment No:**	UPES UNIVERSITY WITH A PURPOSE

UNIVERSITY OF PETROLEUM AND ENERGY STUDIES
Online End Semester Examination, December 2020

Course: Financing Petroleum Sector Projects	**Semester: III**
Program: MBA (OG)	**Time 03 hrs.**
Course Code: FINC 8015	**Max. Marks: 100**

SECTION A

1. **Each Question will carry 5 Marks**
2. **Instruction: Complete the statement / Select the correct answer(s)**

S. No.	**Question**	**CO**
Q 1	The securitization applicable for a banking firms is: a. Synthetic Securitization b. True Value Securitization c. Both d. None	**CO1**
Q2	Firm's Cost of Capital is the average cost of: (a) All external sources, (b) All borrowings, (c) Share Capital, (d) Share Bonds & Debentures. (e) All internal and external sources	**CO1**
Q3	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.	**CO1**
Q4	Book building is a process of : ____________________ ____________________	**CO1**

Q5	Depository performs the primary activity of : ____________________________________ ____________________________________ ____________________________________	**CO1**
Q6	$(D_1 / P_0) + g$ is used for ____________________________________	**CO1**
SECTION – B **1. Each question will carry 10 marks**		
Q7.	What are the Institutional debt sources may be availed for working capital Requirements in India?	**CO2**
Q 8	Discuss how the projects of upstream sector are different from downstream projects and what type of financing should be preferred for such projects.	**CO2**
Q 9	Discuss the process by which an Indian company can raise equity from Indian capital market.	**CO3**
Q 10	Discuss the steps of risk management with suitable examples.	**CO3**
Q 11	What is securitization? Explain how it will help a downstream company to securitize its business receivables?	**CO3**
Section C **Question carries 20 Marks.**		
Q12	Volvo 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 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 at a discount of 13% at the end of maturity. The applicable tax rate is 20% for preference equity.	**CO4**

	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 300 per share. 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 anticipated dividend growth rate is 13%. 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 %.	