

Name:

Enrolment No:



**UNIVERSITY OF PETROLEUM AND ENERGY STUDIES**

**End Semester Examination, December 2018**

**Course: Financing Power Sector Projects**

**Semester: III**

**Programme: MBA (Power Management)**

**Course Code: FINC 8004**

**Time: 03 hrs.**

**Max. Marks: 100**

**Instructions:**

**SECTION A**

S. No	Attempt all questions	Marks	CO
Q1	What is a Detailed Project Report?	2	CO4
Q2	Define Project?	2	CO2
Q3	Based on maturity of repayment period, various sources of finance can be classified into the following except:  a) Short-term sources b) Semi-short term sources c) Medium-term sources d) Long-term sources	2	CO2
Q4	The services of a merchant banker does not include: a) Management of operating activities of a company b) Rendering financial and advisory services c) Evaluation of investment portfolios d) Lease financing	2	CO1
Q5	What are the three elements of the cash flow stream of a project?	2	CO3
Q6	What is full-recourse structure in project financing?	2	CO3
Q7	What is difference between lease and hire-purchase	2	CO1
Q8	List Components of Capital	2	CO4
Q9	Define a venture capital investment	2	CO2

Q1 0	What is the difference between public issue and right issue?	2	CO1																					
<b>SECTION B</b>																								
S. No .	Attempt any four questions																							
Q 1	What are the main features of eurocurrency loans and eurobonds?	5	CO2																					
Q2	What aspects are considered in technical analysis?	5	CO4																					
Q3.	What are the components of the cost of project? Discuss them in detail	5	CO4																					
Q4.	Why is MIRR superior to the regular IRR?	5	CO3																					
Q5.	Define the following terms: option holder, option writer, exercise price, maturity date	5	CO3																					
<b>SECTION-C</b>																								
S. No .	Attempt all questions																							
Q1	What is a PPP? What are the basic characteristics of a ppp project?	10	CO4																					
Q2	<p>The expected cash flows of two mutually exclusive projects, P and Q are as follows:</p> <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Year</th> <th>Cash flow(P)</th> <th>Cash flow(Q)</th> </tr> </thead> <tbody> <tr> <td>0</td> <td>(1000)</td> <td>(1600)</td> </tr> <tr> <td>1</td> <td>(1200)</td> <td>200</td> </tr> <tr> <td>2</td> <td>(600)</td> <td>400</td> </tr> <tr> <td>3</td> <td>(250)</td> <td>600</td> </tr> <tr> <td>4</td> <td>2000</td> <td>800</td> </tr> <tr> <td>5</td> <td>4000</td> <td>100</td> </tr> </tbody> </table> <p>The cost of capital is 10 percent.</p> <p>(i) What is the NPV of the projects?</p>	Year	Cash flow(P)	Cash flow(Q)	0	(1000)	(1600)	1	(1200)	200	2	(600)	400	3	(250)	600	4	2000	800	5	4000	100	10	CO3
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	(ii) What is the MIRR of the projects if the reinvestment rate is 12 percent?																																																																		
Q3.	What are different methods of financing long-term capital of a company? Discuss the relative advantages and disadvantages of each method.	<b>10</b>	<b>CO1</b>																																																																
<b>SECTION-D</b>																																																																			
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Q1.	<p>Dinesh Associates is considering an investment project which has an estimated life of four years. The cost of project is 400,000 and the possible cash flows are given below:</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="text-align: center;"><i>Year 1</i></th> <th colspan="2" style="text-align: center;"><i>Year 2</i></th> <th colspan="2" style="text-align: center;"><i>Year 3</i></th> <th colspan="2" style="text-align: center;"><i>Year 4</i></th> </tr> <tr> <th style="text-align: center;"><i>Cash Flow</i></th> <th style="text-align: center;"><i>Prob.</i></th> <th style="text-align: center;"><i>Cash Flow</i></th> <th style="text-align: center;"><i>Prob.</i></th> <th style="text-align: center;"><i>Cash Flow</i></th> <th style="text-align: center;"><i>Prob.</i></th> <th style="text-align: center;"><i>Cash Flow</i></th> <th style="text-align: center;"><i>Prob.</i></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">110,000</td> <td style="text-align: center;">0.3</td> <td style="text-align: center;">120,000</td> <td style="text-align: center;">0.5</td> <td style="text-align: center;">130,000</td> <td style="text-align: center;">0.2</td> <td></td> <td></td> </tr> <tr> <td style="text-align: center;">110,000</td> <td></td> <td style="text-align: center;">0.4</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td style="text-align: center;">120,000</td> <td style="text-align: center;">0.4</td> <td style="text-align: center;">130,000</td> <td style="text-align: center;">0.3</td> <td style="text-align: center;">140,000</td> <td style="text-align: center;">0.3</td> <td></td> <td></td> </tr> <tr> <td style="text-align: center;">120,000</td> <td></td> <td style="text-align: center;">0.4</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td style="text-align: center;">130,000</td> <td style="text-align: center;">0.3</td> <td style="text-align: center;">140,000</td> <td style="text-align: center;">0.2</td> <td style="text-align: center;">150,000</td> <td style="text-align: center;">0.5</td> <td></td> <td></td> </tr> <tr> <td style="text-align: center;">130,000</td> <td style="text-align: center;">0.2</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table> <p>The cash flows of various years are independent and the risk-free discount rate is 8 percent.</p> <p>(a) What is the expected NPV ?</p> <p>(b) If the NPV is approximately normally distributed, what is the probability that the NPV will be zero or less ?</p>	<i>Year 1</i>		<i>Year 2</i>		<i>Year 3</i>		<i>Year 4</i>		<i>Cash Flow</i>	<i>Prob.</i>	<i>Cash Flow</i>	<i>Prob.</i>	<i>Cash Flow</i>	<i>Prob.</i>	<i>Cash Flow</i>	<i>Prob.</i>	110,000	0.3	120,000	0.5	130,000	0.2			110,000		0.4						120,000	0.4	130,000	0.3	140,000	0.3			120,000		0.4						130,000	0.3	140,000	0.2	150,000	0.5			130,000	0.2							<b>30</b>	<b>CO3</b>
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