Name: Enrolment No:	UPES

UNIVERSITY OF PETROLEUM AND ENERGY STUDIES
End Semester Examination, May 2019

Course: PROJECT FINANCE & MANAGEMENT **Semester: IV**
Programme: BBA (AIS) **Course Code: FINC2008**
Time: 03 Hours **Max. Marks: 100**
Instructions: Attempt all questions

SECTION A

Q.1.		**Marks**	**CO**
	1. Which of the following is an advantage of centralized contracting? a) Gives easier access to contracting expertise b) Increases company expertise in contracting c)Gives more loyalty to the project d) Allows a contracts person to work on a single project 2. Risks will be identified during which risk management process(es)? a) Quantitative risk analysis and risk identification b) Risk identification and risk monitoring and control c) Qualitative risk analysis and risk monitoring and control d) Risk identification 3. Who is ultimately responsible for quality management on the project? 1. Project engineer 2. Project manager 3. Quality manager 4. Team member 4. Risk tolerances are determined in order to help: 1. the team rank the project risks. 2. the project manager estimate the project. 3. the team schedule the project. 4. management know how other managers will act on the project. 5. The project manager is making sure that the product of the project has been completed according to the project management plan. What part of the project management process is he in? a) Planning b) Executing c) Monitoring and controlling d) Closing 6. All of the following are characteristics of a project EXCEPT: a)Temporary b) Definite beginning and end c) Interrelated activities d)Repeats itself every month 7. The project management process groups are: a) Initiating, planning, expediting, and control. b)Plan, organize, develop, and control. c)Plan, do, observe, commit. d)Initiating, planning, executing, controlling, and closeout. 8. In which project management process group is the detailed project budget created? A. Initiating B. Before the project management process C. Planning D. Executing 9. To control the schedule, a project manager is reanalyzing the project to predict project duration. She does this by analyzing the sequence of activities with the least amount of scheduling flexibility. What technique is she using? A.Critical path method B. Flowchart C. Precedence diagramming D.Work breakdown structure	**2 X 10 = 20**	**1 & 2**

	10. An activity has an early start (ES) of day 3, a late start (LS) of day 13, an early finish (EF) of day g, and a late finish (LF) of day ig. The activity: A. is on the critical path. B. has a lag. C. is progressing well. D.is not on the critical path.		
	SECTION B		
		Marks	**CO**
Q.2.	Why project finance is preferred to finance infrastructure projects?	**5**	**1**
Q.3.	Out of the following two examples, which will be termed as project and why? 1. Cleaning office building every day. 2. Building a bridge across the Yamuna River.	**5**	**3**
Q.4.	Project finance is generally used to refer to a nonrecourse or limited recourse financing. Explain.	**5**	**2**
Q.5.	A Lease is a contractual arrangement or transaction between two or more parties, in which one party owning an asset or equipment (lessor) provides an asset to another party (lessee) for use or transfers the right to use the asset, over a certain or agreed period for consideration in form of periodic payment (rentals) with or without charging a premium. At the end of the period (lease period) the asset or equip reverts to the lessor. Identify the elements of lease financing.	**5**	**2**
	SECTION-C		
		Marks	**CO**
Q.6.	Project finance is the financing of long-term infrastructure, industrial projects and public services based upon a non-recourse or limited recourse financial structure. In the light of above statement, explain project finance and its features. OR Project finance for BOT projects generally includes a special purpose vehicle (SPV). Highlight the purpose and its merits.	**15**	**2**
Q.7.	Identify the parties to the project finance and their agreement role in project finance. OR Is Lease financing an effective method for raising funds? Comment.	**15**	**3**
	SECTION-D		
Q.8.	Campton College wanted to implement—a new call accounting system that both administrators and medical students could utilize for billing, tuition, and dorm expense payments; actually, every department of the medical school. Their antiquated system was from the 1990s and they felt it was time to move into the next generation. In this risk assessment example, first a team was formed to determine which tech company could offer the best system without too much down time for the current system. The company chosen was a widely known call accounting provider – TACS. The challenge was to find a better way for data collection, database improvements, and purging information. The risk assessment team was challenged with looking at vulnerabilities, threats, and risks and coming up with ways to avoid or minimize risk to the already-valuable assets contained within the current system—	**10 X 3 = 30**	**2 & 3**

	the private and secure records as well as accessibility of online interactions, payment histories, and account information. Campton College was able to determine that over $2 million assets (information) could be at risk including data integrity, private information, access and down time, passwords, and liability costs to the college if private information was accessed .Not happy with trusting these assets to a switchover right away, the team was able to work with TACS to find ways to mitigate risks such as using compatible software interchanges like Microsoft and an encrypted repository .Finally, the risk assessment team was able to identity 14 various risks with solutions to those risks that lowered a forecasted 249% risk they had previously determined to a mere 54.3% risk. By lowering the percentage of risk through secure processes, the college was able to introduce a newly updated system. • What kind of risks were involved in the above case? • What were the key aspects of the above case had been identified by the risk management team? Comment on the same. • Name and explain the methods for analyzing risk.		

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SECTION A

Q.1.		Marks	CO
	Write short notes: 1. WBS 6. SWOT 2. PERT 7. Operating Lease 3. Non Recourse 8. PPA 4. BOLT 9. ADR 5. SPV 10. PESTLE	**2 X 10 = 20**	**1 & 2**

SECTION B

		Marks	CO
Q.2.	Why project finance is preferred to finance infrastructure projects?	**5**	**1**
Q.3.	Identify the risk associated with SPVs.	**5**	**3**
Q.4.	Identify major players of project finance.	**5**	**2**
Q.5.	Project development is an important concept in project finance. As the financing is done on the sequential progress of the project, understanding project development is important. Explain the process of project financing.	**5**	**2**

SECTION-C
Attempt any 2 questions

		Marks	CO
Q.6.	Project finance is the financing of long-term infrastructure, industrial projects and public services based upon a non-recourse or limited recourse financial structure. In the light of above statement, explain project finance and its features.	**15**	**2**
Q.7.	Project risk management is the process of identifying, analyzing and then responding to any risk that arises over the life cycle of a project to help the project remain on track and meet its goal. Explain the process of risk management	**15**	**3**
Q.8.	Is Lease financing an effective method for raising funds? Comment.	**15**	**2**

SECTION-D

	The story of Enron Corp. is the story of a company that reached dramatic heights, only to face a dizzying fall. Its collapse affected thousands of employees and shook Wall Street to its core. At Enron's peak, its shares were worth $90.75; when it declared bankruptcy on December 2, 2001, they were trading at $0.26.		

	In Enron's case, the company would build an asset, such as a power plant, and immediately claim the projected profit on its books, even though it hadn't made one dime from it. If the revenue from the power plant was less than the projected amount, instead of taking the loss, the company would then transfer the asset to an off-the-books corporation, where the loss would go unreported. This type of accounting enabled Enron to write off unprofitable activities without hurting its bottom line. The mark-to-market practice led to schemes that were designed to hide the losses and make the company appear to be more profitable than it really was. To cope with the mounting liabilities, Andrew Fastow, a rising star who was promoted to CFO in 1998, created a deliberate plan to make the company appear to be in sound financial shape, even though many of its subsidiaries were losing money. Although their aim was to hide accounting realities, the SPVs weren't illegal, as such. But they were different from standard debt securitization in several significant – and potentially disastrous – ways. One major difference was that the SPVs were capitalized entirely with Enron stock. This directly compromised the ability of the SPVs to hedge if Enron's share prices fell. Enron would transfer some of its rapidly rising stock to the SPV in exchange for cash or a note. The SPV would subsequently use the stock to hedge an asset listed on Enron's balance sheet. In turn, Enron would guarantee the SPV's value to reduce apparent counterparty risk. Just as dangerous was the second significant difference: Enron's failure to disclose conflicts of interest. Enron disclosed the SPVs' existence to the investing public—although it's certainly likely that few people understood them—but it failed to adequately disclose the non-arm's length deals between the company and the SPVs. Enron believed that its stock price would keep appreciating — a belief like that embodied by Long-Term Capital Management, a large hedge fund, before its collapse in 1998. Eventually, Enron's stock declined. The values of the SPVs also fell, forcing Enron's guarantees to take effect.		
Q.9.	How Enron applied S.P.Vs as a strategy to curb losses?	**10**	**2 & 3**
Q.10.	Enron’s Mark-to-Market Accounting Method lead the company to bankruptcy. Comment.	**10**	**3**
Q.11.	Enron’s disclosure of S.P.Vs existence to public resulted in failure. State reason or assumption for the same.	**10**	**2**