Name: **Enrolment No:**	UPES UNIVERSITY OF TOMORROW

UNIVERSITY OF PETROLEUM AND ENERGY STUDIES
End Semester Examination, May 2022

Program: MA Economics **Semester : IV**

Subject/Course: Financial Modelling and Valuation **Max. Marks: 100**

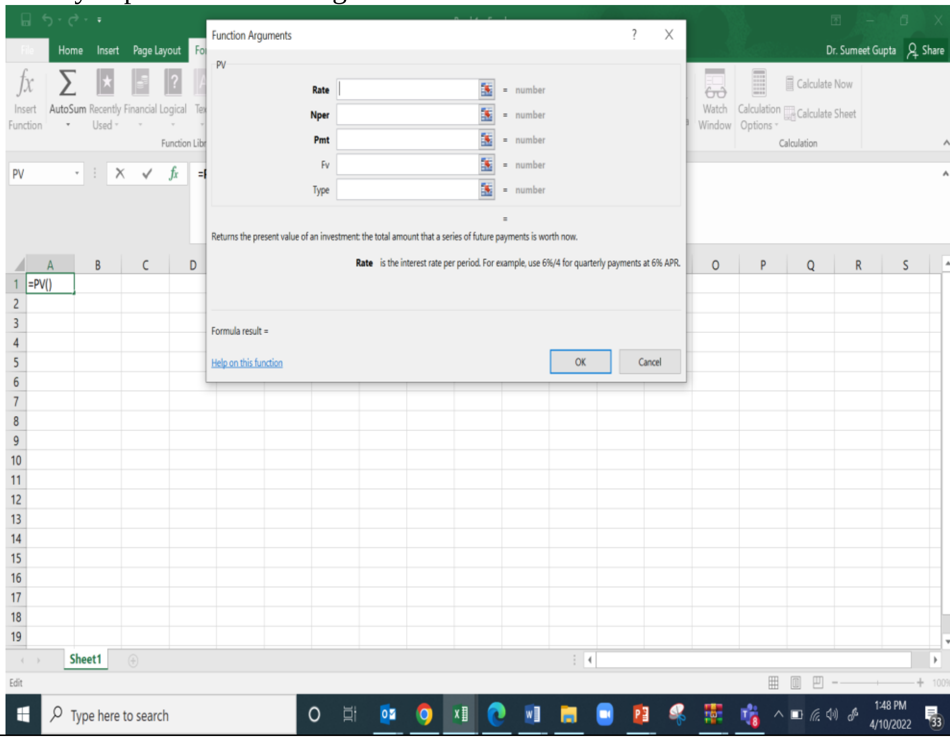
Course Code: FINC 8036 P **Duration : 3 Hours**

Instructions: Refer Financial Table for PV and FVs

SECTION A (Section A has 10 questions of 2 marks each)
10Qx2M=20Marks

Q 1		**Marks**	**CO**
(i)	Which of the following method is Non Discounted Cash Flow method of Capital Budgeting? (a) ARR (b) IRR (c) NPV (d) PI	**2**	**CO1**
(ii)	Discounting refers to : (a) Conversion of Future Value in Present Value (b) Conversion of Present Value in Future Value (c) Decrease the Present Value (d) Increase the Future Value	**2**	**CO1**
(iii)	The situation where the management has to decide the combination of profitable projects which yields highest NPV with in available funds is called: (a) Capitalizing (b) Capital Structuring (c) Capital Budgeting (d) Capital Rationing	**2**	**CO1**
(iv)	**Fill in the Blanks:** PV of Annuity is ………………………………………………	**2**	**CO1**

(v)	Gross working capital is equal to (a) Total Current Assets- Total Current Liabilities (b) Total current assets (c) Total current liabilities (d) Profit after tax less preference dividend/Number of outstanding shares	**2**	**CO1**
(vi)	**Fill in the Blanks:** NPV=……………………………………………………………………….	**2**	**CO1**
(vii)	**Fill in the Blanks:** Risk is defined as ……………………………………………………….	**2**	**CO1**
(viii)	Which Risk is diversifiable risk (a) Interest Rate Changes (b) Management Philosophy (c) Strikes (d) Both b & c above	**2**	**CO1**
(ix)	**Fill in the Blanks:** Profit Volume Ratio is defined as …………………………………………..	**2**	**CO1**
(x)	**Fill in the Blanks:** Digital Financial Reporting is defined as …………………………………	**2**	**CO1**
	SECTION B **4Qx5M= 20 Marks**		
Q 2	How Risk can be assessed using various techniques of Risk Assessment?	**5**	**CO2**
Q 3	How NPV and IRR can be used in evaluation of projects financial viability?	**5**	**CO2**
Q 4	How company can prepare cost sheet by using Financial Modelling?	**5**	**CO2**

Q 5	Briefly explain the following Excel Function with its terms: 	5	CO3

SECTION-C

3Qx10M=30 Marks

Q 6	Conversations with leaders in the industry have led us to think about the next generation of fintech- Fintech 2.0. The prior wave of financial technology focused primarily on digital distribution of existing products and services. Keeping this is not consideration, critically analyze the key drivers of FIN TECH 2.0	**10**	**CO3**
Q 7	How company can assess Current Assets and Current Liabilities in Working Capital Assessment?	**10**	**CO3**

OR

While preparing a project report on behalf of a client, the following information pertaining to D Ltd is collected. You are required to estimate the net working capital. Add 10%to the computed figure to allow for contingencies.

Cost per unit in Rs.

Raw Material	100
Direct Labour	100
Overheads	200
Total Cost	400

	Additional information:- Selling Price — Rs. 450 per unit Level of Activity — 1,20,000 units per annum Raw Material in stock — Average 5 weeks Works – in – Process — Average 4 weeks (Assume 50% completion stage in respect of conversion costs and 100 % completion in respect of materials) Finished goods in stock — Average 5 weeks Credit allowed by suppliers — Average 2 weeks Credit allowed to debtors — Average 5 weeks Lag in payment of Wages — Average 2.5weeks Lag (Delay) in payment of overheads Average 1.5 weeks Cash at bank is expected to be — Rs. 6, 00, 000		
Q 8	How different sources of finance can be used in forming Capital Structure?	**10**	**CO4**
	SECTION-D **2Qx15M= 30 Marks**		
Q 9	How Have Digital Currencies Worked Around the World? How it will function in reference to CBDC- Central Bank Digital Currency?	**15**	**CO4**
Q 10	**CAPITAL BUDGETING DECISION** **Maruthi Car's Dealership** Vijayawada literally translates to "The Place of Victory" and is the third largest city in Andhra Pradesh. It is located on the banks of the Krishna River and is part of the fertile Krishna delta. There are a number of canals that go through Vijayawada and irrigate the farm land throughout the delta. Vijayawada is famous for being both the largest railway junction in South India and the most important station of the South Central Railways. National highways 5 and 9 pass through the city. Sajja Srinivasa Rao, a software consultant turned entrepreneur in the U.S.A., was in India for summer vacation. He, along with his wife Vijaya, had saved enough for tough days and was contemplating investing in a new venture to ensure that their savings gave enough returns. Sajja was emotionally attached to Vijayawada and wanted to invest in the place, provided the returns were at least 20% in any project. He saw an advertisement by the Maruthi Cars offering a second dealership in the city. Maruti already had a dealer in the city, Varun Motors. In FY 2006, Varun Motors sales are expected to be 2000 cars per year. Seeing an opportunity, Vijaya called up her childhood friend, Kishore. A chartered accountant, Kishore, was working as a financial consultant. He decided to take the project with a five-year time period. Kishore made a few enquiries from local experts and made a few logical assumptions as follows:	**15**	**CO4**

Real estate investment in a prime location was expected to cost Rs 50 Lakhs. Showroom construction and furnishing was expected to cost another Rs 25 lakhs. Working capital investment was Rs. 23 Lakhs. A 15% growth can be expected in the sales of the cars over the next five years. Of the total sales of Maruti cars, market share of the new dealership for the first five years was assumed as 5%, 9%, 14%, 19%, and 22% respectively. The average sale price of Maruti cars was assumed to be Rs. 4 Lakhs in 2006. This figure was expected to increase by 10% every year. Terminal value of the project was estimated to be at least five times the cash flows for the last year. For dealers having less than Rs 1 crore sales, Maruti had a dealership margin of 2.5%. For all other dealers Maruti gave a dealership margin of 3%. Sales and administration expenses were estimated to Rs 2 Lakhs for the first year. For future years, they were expected to grow by Rs 1 Lakh every year. Marketing expenses were decided as 1% of the total estimated sales for the first two years and then 0.5% of the total estimated sales thereon. Kishore decided to make things simple and hence he used straight line depreciation with a five-year period for all capex. Corporate Income Tax rates were taken as 37%.

You are required

Q 1: Analyze the project and estimate the cash flows from FY 2006 onwards.

-------------5 Marks

Q 2: Calculate the payback period, profitability index, net present value, and internal rate of return for the new car dealership project. **----------5 Marks**

Q 3: Should Sajja take the dealership and go ahead? **----------5 Marks**