|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |

|  |
| --- |
|  |

 |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
| **JAIPURIA INSTITUTE OF MANAGEMENT, NOIDA** |
| **PGDM / PGDM (M) / PGDM (SM)** |
| **THIRD TRIMESTER (Batch 2023-25)** |
| **END TERM EXAMINATIONS, JULY 2024** |
| **Set-2.2 (Reappear)** |
|  |  |  |  |
| Course Name | **ADVANCED CORPORATE FINANCE** | Course Code | **FIN20221** |
| Max. Time | **2 hours** | Max. Marks | **40** |
|  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |

**Note:**

**1. This question paper is to be attempted on Moodle, with each question on a separate Excel sheet in the file only.**

**2. Answer each question below the dotted line marking the end of the question.**

**3. Answers to the questions will be plagiarism checked on an assignment basis in Moodle with a limit of 10%. Every additional 10% will attract a penalty of 5 marks.**

**Questions**

**Question 1 (12 Marks)**

Ujjwal Bulbs Ltd is considering an investment project which has a useful life of four years. The cost of the project is Rs.10,000 crore and the possible cash flows are in Excel file (rupees crore):

The cash flows are independent. Post tax risk free discount rate is 8%. Estimate the expected net present value. If the present values are normally distributed, calculate the probability that the net present value will be more than zero.

**Question 2 (10 Marks)**

A new company has only one project at hand. The EBIT of the project is Rs.30 million in perpetuity. The cost of the project is Rs.100 million. The applicable corporate tax rate is 40%. The company is able to arrange the funding of the half of the project cost by a perpetual loan at an interest rate of 10%. The balance can be financed by own equity. In this project, the required rate of all equity return is given at 20%. Estimate the net present value of the project using (any two of these) - free cash flow to equity (FCFE), free cash flow to firm (FCFF) and free cash flow to capital (FCFC).

**Question 3 (8 Marks)**

Indian Biscuits operates a large plant to produce a highly saleable value added bakery products. The main ingredient to total cost is the wheat. The group finance head decides to hedge its raw material costs by entering futures contracts for the purchase of wheat. Spot price of wheat is currently Rs.30000 per ton. The 3-month futures contract is available at Rs.31000 per ton with a market lot size of 250 ton. The monthly requirement of wheat is 5000 tons. Determine the number of contracts needed to hedge the three months requirement and evaluate the total gain or loss if the wheat price at the end of three months happens to be (a) Rs.31500 per ton, or (b) Rs.28500 per ton.

**Question 4 (10 Marks)**

Black & Co plans to acquire While & Co. The relevant financial data of the two firms prior to acquisition announcement is given in Excel.

The merger is expected to generate gains which has a present value of Rs.200 million. The exchange ratio agreed is 0.5. Develop the true cost of merger from the point of view of Black & Co.