

Name:
Enrolment No:



UNIVERSITY OF PETROLEUM & ENERGY STUDIES
End Semester Examination – December, 2021

Program: MBA Core Finance
Subject/Course: Corporate Valuation
Course Code: FINC8010

Semester: III
Max. Marks: 100
Duration: 3 Hours

Section A

(Type the answers in test box)

- 1. Each question carries 2 marks.**
- 2. Instructions- Select the correct answers.**

S No	Question	CO
Q1	It is possible to have a AAA credit rating if interest coverage ratio is -3%. A) True B) False	CO1
Q2	Assuming cash flows remain constant and but discount rate declines, how will this change affect expected cash flows (ECF)? A) ECF will increase B) ECF will decline C) ECF will remain same D) ECF will be zero	CO1
Q3	Tax benefit is reflected by A) Corporate tax rate B) Marginal tax rate C) Average tax rate D) Personal tax rate	CO1
Q4	Holding other factors constant, a negative risk free rate will reduce cost of equity. A) False B) True C) May be D) Zero	CO1
Q5	Firm cash flows can be discounted using A) APV B) NPV C) WACC D) Re	CO1

Q6	When is the synthetic credit rating for the firm computed? A. For corporate bonds B. For govt bonds C. If credit rating is not available D. If credit rating is too low	CO1
Q7	Which of the following is used while computing expected cash flows A) Gross working capital B) Working capital C) Networking capital D) Changes in net working capital	CO1
Q8	Which of the following is not an input in pricing model. A) Risk free rate B) Beta C) Credit spread D) Market risk premium	CO1
Q9	Risk free rate is required for computing discount rate is obtained from BSE. A) False B) True	CO1
Q10	If two projects have similar risk, their discount rate will be A) Same B) Different C) Depends D) Zero	CO1
Section B		
1. Each question carries 5 marks. 2. Instructions: Write short answers.		
Q1	Mention the use of discounted cash flow in firm valuation.	CO2
Q2	What are multiples in valuation and give two examples of multiples.	CO2
Q3	Can we value a FMCG firm and technology firm using same valuation method. State your assumptions.	CO2
Q4	Explain process of leveraging and relevering beta.	CO2
Section C		
1. Each question carries 10 marks. Attempt three questions. 2. Show all the steps in calculating the required values until four decimal places.		
Q1	Do you expect the grey market premium (GMP) for Zomato's IPO and Nykaa's IPO to be same?	CO3
Q2	Compute weighted average cost of capital. Cost of equity is 12%, cost of debt is 8%, corporate tax rate is 35%, equity value is INR 100 crores and debt value is INR 50 crores. Compute.	CO4
Q3	The value of a firm in maturity is different from value of firm in introduction phase, do you agree?	CO3
OR		

How options can be used to find the value of a firm. (Hint- use call option and put option framework to answer this question).

Section D

1. Each question carries 15 marks.

Show all the steps in calculating the required values until four decimal places.

Q1	A firm is expecting to earn INR 200 crores at the end of this year and cash flows are expected to grow at 15% for the five years and will grow at stable rate of 4% after year 5. CAPM computes the required cost of capital for this firm at 10%. Find the value of the firm.	CO4														
Q2	<p>If the following are the cash flows for a project.</p> <table border="1" data-bbox="396 583 1179 695"> <thead> <tr> <th>Year</th> <th>1</th> <th>2</th> <th>3</th> <th>4</th> <th>5</th> <th>6</th> </tr> </thead> <tbody> <tr> <td>ECF (INR)</td> <td>600</td> <td>650</td> <td>680</td> <td>710</td> <td>780</td> <td>810</td> </tr> </tbody> </table> <p>The project is having a life of six years only and the discount rate for firm is 10% while the discount rate for this project is 8%, the discount rate for another project of this firm is 12%. Find the value of the project.</p> <p style="text-align: center;">OR</p> <p>Do you agree that the valuation of cryptocurrencies is straight forward compared to valuation of traditional firms? Take the case of ETH or BTC and provide rationale for your answer.</p>	Year	1	2	3	4	5	6	ECF (INR)	600	650	680	710	780	810	CO4
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