MCT-078

MASTER OF BUSINESS ADMINISTRATION FINANCIAL MARKETS (M B A FM)

Term-End Examination

December, 2012

MCT-078 : FINANCIAL MODELLING

Time : 3 hours *Maximum Marks : 100*

SECTION – A

(All questions are compulsory)

1. The following are the two proposals with cost of   30
    capital being 6.00%. Please calculate using IRR,
    NPV and Discounted Pay Back period whether
    we should accept System A or System B with
    reasons :

Cash Flow - System A

Year	Cash Flow
	Rs.
0	– 6,00,000
1	+ 75,000
2	+ 1,00,000
3	+ 1,50,000
4	+ 2,00,000
5	+ 2,10,000
6	+ 1,50,000
Total	**2,85,000**

Cash Flow - System B

Year	Cash Flow
	Rs.
0	− 6,00,000
1	+ 25,000
2	+ 75,000
3	+ 85,000
4	+ 1,00,000
5	+ 1,50,000
6	+ 4,50,000
Total	2,85,000

2. Please calculate cost of capital for Infosys **15** assuming :

Rf is 8%, risk premium is 7% and beta is 0.8. The total equity is 800 Million. Company has taken long term debt of 400 Million with a cost of 12% per annum. Also the company has taken short term debt of 200 Million with a cost of 14% per annum. The preference share pays a fix dividend of 15% per annum and preference share taken is 200 Million. Assume a tax rate of 30%.

3. Please calculate unlevered beta for the following **10** three companies :

Company	Levered Beta	Debt/ Equity	Tax Rate
NHN	1.42	1.4%	27%
Rambler	1.13	0.0%	24%
Tencent	1.36	0.2%	33%

4. Prepare a loan repayment schedule for your **15** financial model with following data :

Loan	34000000
Rate of interest	10.00%
Repayment	48 months

Please prepare a schedule from April 12 to March 2016, assuming first repayment at the beginning of the loan.

SECTION – B

(Attempt any three)

5. Attempt *any three* :   3x10=30

    (a) Please define levered beta and unlevered beta with a small numerical example (please take dummy figures).

    (b) Define terminal value.

    (c) What terminal growth you would take for Infosys, along with the probable reasons for the same terminal growth rate ?

    (d) Define Buy in analysis.

    (e) Parameters to consider before selecting comparable companies.

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