

00193

**EXECUTIVE MASTER OF BUSINESS  
ADMINISTRATION (EXMBA)**

**Term-End Examination**

**June, 2012**

**MCTE-092 : PROJECT FINANCING**

*Time : 3 hours*

*Maximum Marks : 100*

*Note : Answer any five questions. All questions carry equal marks.*

1. (a) An important aspect of project appraisal is cash flow estimation. Outline the factors that need to be borne in mind while assessing and estimating cash flows. **10**
- (b) Why are investment appraisal techniques such as NPV and IRR sensitive to changes in cash flow ? What other factors could cause sensitivity in investment appraisal ? **10**
2. (a) What are the important prerequisites for a borrower to access the market for privately placed debt ? **10**
- (b) What factors make the market for privately placed debt attractive to both, lenders and borrowers alike ? **10**
3. It is commonly believed that private equity investors have a potentially destabilizing effect on stock prices. Do you agree ? Give reasons in support of your answer. **20**

4. Explain the importance of *any two* of the following in the context of project financing : 10+10
- (a) Bridge loans
  - (b) Lease-financing
  - (c) Floating Rate Notes (FRNs)
5. Would you recommend the use of short-term loans to finance requirements of permanent working capital ? What additional modes of financing may be used for the purpose ? 20
6. What is the basic tenet of the Capital Asset Pricing Model (CAPM) ? How is this model useful in estimating the rate of return to be expected from an investment ? 20
7. On what counts does private equity financing differ from venture capital financing ? 20
8. 'The biggest challenge for private equity investment is the valuation of the firm'. What problems are inherent in valuation ? 20
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