

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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