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| **C:\Users\ADMIN\Desktop\j.png** | **JAIPURIA INSTITUE OF MANAGEMENT, INDORE**  Post Graduate Diploma in Management |
| **Course Title: Advanced Corporate Finance, (Course Code: 40221)**  **End-Term Examination, Term - III (April, 2024)** | |
| **Time Duration : 2 Hours Total Marks: 40** | |

***General Instructions*:**

1. *The marks of each question is indicated to their right.*
2. *This exam is completely an MS -excel based exam*
3. *No answer sheet will be given*
4. *Students need to submit one excel file as an answer script. The excel file will have multiple sheets.*
5. *Students need to solve each question in a separate sheet and name the sheet with ques number.*
6. *No Internet access will be given*
7. *No formula, interest factors tables will be provided*
8. *Students should continually keep saving their work*
9. *Students should save the final excel file with their name and roll number in the format – Rollno\_Name*
10. *Do not write anything on the question paper apart from your roll number.*

**Q1)** **a)** Revolut ltd. is a fintech start-up that has grown into a major player in the last 5 years. It has no ambitions to get acquired by a competitor or diversify itself. The bonds issued by Revolut Ltd. bears a coupon of 10 percent, payable semiannually. The bond matures in 10 years and has a $1,000 face value. Currently, the bond is selling at $1,021. Specify the yield to maturity of the bond? **[5 Marks]**

**b)** Shield ltd. announced that its next annual dividend will be $2 a share and all future dividends will increase by 2.5 percent annually. Anticipate the maximum amount you should pay to purchase a share of this stock if you require a 12 percent rate of return? **[5 marks]**

**Q2) a)** **[5 marks]**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Deviation  from Base | NPV with Variables at Different Deviations from Base | | | |
| Equipment Cost | Price | Units | VC/Unit |
| −30% | $2,599 | −$9,852 | −$1,999 | $8,901 |
| 0% | $1,048 | $1,048 | $1,048 | $1,048 |
| 30% | −$503 | $11,949 | $4,096 | −$6,805 |
| Range | $3,102 | $21,801 | $6,095 | $15,706 |

From the table identify:  
**i)** NPV of the project is most sensitive to which variable?

**ii)** Which variables are positively and negatively related to NPV?

**b)** Explain how is Monte-Carlo simulation used to identify the risk associated with a project.

**[7 marks]**

**Q3) a) i)** You purchase one Meta July 120 put contract for a premium of $3. You hold the option until the expiration date, when Meta stock sells for $123 per share. Identify the loss/profit made. **[3 marks]**

**ii)** You purchase one Google July 150 call contract for a premium of $5. You hold the option until the expiration date, when Google stock sells for $152 per share. Identify the loss/profit made. **[3 marks]**

**b)** Mark recently finished deals in London and New York. Currently possessing $200,000 and £100,000, he wants to exchange these sums for euros. His currency dealer provides this quotation:

|  |  |  |
| --- | --- | --- |
|  | Bid | Ask |
| GBP/USD | 0.6488 | 0.6493 |
| USD/EUR | 1.3095 | 1.3098 |

Evaluate his situation and determine his proceeds from conversion? **[6 marks]**

**Q4) a)** Differentiate between a merger and consolidation with the help of an example.

**b)** Explain the following terms with examples:  
 i) Takeover  
 ii) Going private  
 iii) Synergy **[6 marks]**