|  |  |
| --- | --- |
| **C:\Users\ADMIN\Desktop\j.png** | **JAIPURIA INSTITUE OF MANAGEMENT, INDORE**Post Graduate Diploma in Management (Batch 2024-26) |
| **Course Title: Advanced Corporate Finance (Course Code: 40221)****End-Term Examination, Term - III (April-May, 2025) Shift – 1st** |
|  **Time Duration : 2 Hours Total Marks: 40** |

***General Instructions*:**

1. *The marks of each question are indicated to their right.*
2. *This exam is completely an MS -excel based exam.*
3. *No answer sheet will be provided.*
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 provided.*
7. *No formula and 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.*
11. **A.** XYZ ltd. is expected to pay annual dividends of $1.50, $1.75, and $2.10 a share over the next three years, respectively. After that, the dividend is expected to remain constant. What is the current value per share at a discount rate of 14 percent?

 **(Marks: 4)**

**B.** A 12-year, 6 percent coupon bond pays interest annually. The bond has a face
 value of $1,000. What is the percentage change in the price of this bond if the
 market yield rises to 6 percent from the current level of 5.5 percent?

 **(Marks: 4)**

|  |  |
| --- | --- |
| Deviationfrom 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? **(Marks: 3)**

1. Explain how Monte-Carlo simulation is used to identify the risk associated with a project. **(Marks: 6)**
2. You purchase one Alphabet July 120 put option 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. **(Marks: 3)**
3. Sobicso Ltd., a biscuit manufacturer is concerned about the rising prices of wheat. The market price is currently at ₹50 per kg. The manufacturer is afraid of the market rising above ₹50 per kg. Keeping in mind the above situation, suggest using which derivatives Sobicso Ltd. can hedge the risk due to the fluctuation of wheat price. Support your answer with valid examples. **(Marks: 5)**
4. A businessman 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? **(Marks: 4)**

1. Determine the €/£ exchange rates: **(Marks: 4)**

|  |  |  |
| --- | --- | --- |
| USD Bank Quotations | American Terms | European Terms |
| Bid | Ask | Bid | Ask |
| Pounds | 1.5400 | 1.5405 | 0.6491 | 0.6493 |
| Euros | 1.3087 | 1.3092 | 0.7638 | 0.7641 |

1. ABC and XYZ are all-equity firms. ABC has 1,750 shares outstanding at a market price of $20 a share while XYZ has 2,500 shares outstanding at a price of $28 a share. ABC is acquiring XYZ for $75,000 in cash. The incremental value of the acquisition is $8,000. Propose what is the net present value of acquiring XYZ to ABC? **(Marks: 3)**
2. Discuss the following: **(Marks: 4)**
	1. NPV of an acquisition
	2. Leverage buyout