Roll No. ____________________

(Do not write anything on question paper except Roll No.)

[This paper consists of TWO Pages]

Jagan Institute of Management Studies

End-Term Examination, September, 2016

Trimester IV – PGDM (RM) 2015-17

Raising Finance

ET_RM_RF_2909

Time: 3 Hrs. *M. Marks: 70*

INSTRUCTIONS: Attempt any SIX questions including Q1 which is compulsory.

Q 1 Your company is thinking about acquiring another corporation. You have two choices; the cost of each choice is $250,000. You cannot spend more than that, so acquiring both corporations is not an option. The following are your critical data:

a) Corporation A:

- i) Revenues = 100K in year one, increasing by 10% each year.
- ii) Expenses = 20K in year one, increasing by 15% each year.
- iii) Depreciation Expense = 5K each year.
- iv) Tax Rate = 25%.
- v) Discount Rate = 10%

b) Corporation B:

- i) Revenues = 150K in year one, increasing by 8% each year.
- ii) Expenses = 60K in year one, increasing by 10% each year.
- iii) Depreciation Expense = 10K each year.
- iv) Tax Rate = 25%.
- v) Discount Rate = 11%

Compute and analyze Net Present Value and Internal Rate of Return for a period of 5 years for both the options and suggest the best alternative for acquisition. **20**

Q 2 Discuss any ten factors impacting the cost of capital for the purpose of raising finance for a project. **10**

Q 3 Traditionally companies have raised finance for a project but the trend is changing now. The companies now are raising finance at corporate level rather than raising it for a specific project. Is it a good practice? Explain the dimensions of raising finance at corporate level than the project level. **10**

Q 4 Attempt any **ONE** the following:

a) List and explain various stages of an organization when it can seek

Venture capital investment

b) Suppose that a $200M VC fund has a management fee of 2.5 percent per year for the first five years, with a reduction of 0.25 percent (25 basis points) in each year thereafter. All fees are paid on committed capital, and the fund has a 10-year life. What are the lifetime fees and investment capital for this fund? **10**

Q 5 The contemporary trend is for the companies to raise finance at the International markets. Is it a good approach? What are the advantages and disadvantages of raising finance at International markets than the domestic markets? **10**

Q 6 List down and explain both equity and debt products available in the Indian capital markets to finance a long term capital intensive project. **10**

Q 7 List key conditions an enterprise has to fulfil to get VC funding. **10**

Q 8 Is funding for start-up same as that for an acquisition or a turnaround scenario? You're your opinion with appropriate reasons. **10**

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