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School of Finance and Commerce**Master of Business Administration in Financial Management
Semester End Examination - Nov 2023****Duration : 180 Minutes
Max Marks : 100****Sem III - MBAF0902 - Financial Modeling Using Excel**General Instructions*Answer to the specific question asked**Draw neat, labelled diagrams wherever necessary**Approved data hand books are allowed subject to verification by the Invigilator*

- 1) Which of the following is not a core building block of a robust financial model? K1 (2)
- 2) Explain the cost of Equity. K2 (4)
- 3) Explain the Gordon Model. K2 (6)
- 4) Identify how do analysts use FCFF and FCFE in financial modeling to make investment recommendations? K3 (9)
- 5) Identify the Free Cash Flow (FCF) to Enterprise K3 (9)
- 6) Shed light on the limitation of Gordon Model using some numerical data. K5 (10)
- 7) ABC Corp. has just paid a dividend of 3 per share. You—an experienced analyst—feel quite sure that the growth rate of the company's dividends over the next 8 years will be 8% per year. After 8 years you think that the company's dividend growth rate will slow to the industry average, which is about 2% per year. If the cost of equity for ABC is 16%, Analyze what is the value today of one share of the company? K4 (12)
- 8) You are considering buying the bonds of a very risky company. A bond with a 100 face value, a 1-year maturity, and a coupon rate of 20% is selling for 95. You consider the probability that the company will actually survive to pay off the bond 70%. With 30% probability, you think that the company will default, in which case you think that you will be able to recover 40. a. What is the expected return on the bond? b. If the company has cost of equity $r_E = 25\%$, tax rate $T_C = 35\%$, and 40% of its capital structure is equity, what is its weighted average cost of capital (WACC)? K5 (15)

- 9) You just took a 10,000, 5-year loan. Payments at the end of each year are flat (equal in every year) at an interest rate of 15%. Evaluate the appropriate loan table, showing the breakdown in each year between principal and interest. K5 (15)
- 10) A Investor need 500 thousand rupees at the end of first year and then 5% growth in this cash inflow annual basis upto 5 years. Evaluate how much money he has to deposit right now if bank provide 10% interest per annum. K6 (18)