Roll No…………………….. **Total No. of Printed Pages: [01]**

Total No. of Questions: [09]

B. Tech. (EE) (Semester – 8th)

FINANCE FOR ENGINEERS

Subject Code: BBAD0-F96

Paper ID: OE2111504

Time: 03 Hours **Maximum Marks: 60**

Instruction for candidates:

1. Section A is compulsory. It consists of 10 parts of two marks each.
2. Section B consist of 5 questions of 5 marks each. The student has to attempt any 4 questions out of it.
3. Section C consist of 3 questions of 10 marks each. The student has to attempt any 2 questions.

Section – A **(2 marks each)**

Q1. Attempt the following:

a. What do you understand by profit maximization?
b. What is the concept of future value?
c. Why do investors need dividend value shares?
d. What are the factors affecting working capital?
e. Give examples of short term and long-term funds?
f. What consists of Primary market instruments?
g. What do you mean by Certificate of Deposit?
h. What do you mean by NPV?
i. "Futures and Options are termed as Derivates". Why?
j. What is the importance of price earnings ratio?

Section – B **(5 marks each)**

Q2. Ross Geller Ltd has a debt-equity ratio of 0.62. The firm's required return on assets is 14.2 percent and its cost of equity is 16.1 percent. What is the pre-tax cost of debt based on M & M Proposition II with no taxes?

Q3. Find out the overall cost of capital if the equity capitalisation rate is 12%. The earnings before interest and tax are Rs. 6, 50, 000. The debenture rate 8% of Rs.3, 00, 000. The tax rate is nil.(Use concept of Net Operating income)

a) The debt amount is decreases from Rs. 3, 00,000 to Rs. 2, 50,000. Find out the value of the firm.
b) The debt amount is increases from Rs. 3, 00,000 to Rs. 5, 50,000. Find out the value of the firm.

Q4. What are the four assumption of Modigliani-Miller model?

Q5. What is the role of financial manager in a firm?

Q6. Earnings per share of a company is Rs5 and the rate of return required by its shareholders is 16%. Assuming Gordon's valuation model, what rate should be earned on investment to ensure that the market price of its share is Rs 50 and the dividend payout is 40%

Section – C **(10 marks each)**

Q7. What is the difference between entering into a long forward contract when the forward price is Rs450 and taking along position in a call option with strike price of Rs 450? Use the logic to explain.

Q8. Explain about Gordon's growth model for equity valuation and discuss when is it most appropriate for valuing equity?

The current dividend Do is Rs 450. Growth is expected to be 10% a year for 5 years and then 5% thereafter, the rate of return is 15%. Estimate the intrinsic value?

Q9. Compare the advantages and disadvantages of Asymmetric Information Theory?