

Sample Questions – Project Finance

M.F.M. Sem VI (Choice Based)

1. An organizing is considering two options for a project with the expected cash flows for each option as follows:

Year	A	B
0	(5,00,000)	(5,00,000)
1	2,50,000	50,000
2	2,50,000	50,000
3	50,000	2,50,000
4	50,000	1,50,000
5	50,000	5,00,000

Assuming cost of capital 10%. As per NPV method which option is better?

- a. Project A
 - b. Project B
 - c. Project A and Project B should be rejected
 - d. Project A and Project B gives equals NPV, hence both can be accepted together.
2. Identify from the following which is not Uses of Special Purpose vehicles ?
- a. Risk Sharing
 - b. Securitization
 - c. Asset Transfer
 - d. Easy Availability of Funds
3. Which of the following cannot be a sponsor for a road company?
- a. Toll Operator
 - b. Construction Company
 - c. Legal Advisor
 - d. Promotor
4. The role of Credit Rating in Financing to help
- a. Government Authorities
 - b. Prepare cash flow Statement
 - c. Prepare Ration Analysis
 - d. Helps investors about the strength
5. Which is not the main characteristics of Infrastructure Financing?
- a. The loan can be availed in foreign currency.
 - b. Funds are provided for setting up industrial/manufacturing units.
 - c. The gestation periods are long.
 - d. The capital costs are large.

6. **BOOT**: In this variant of which Model of Public Private Partnership

- a. BOO
- b. BOLT
- c. BOT
- d. DBFO

7. If there is a major catastrophe or casualty affecting the project then both the sponsors and the lenders will be looking to which of the Party to cover them against loss.

- a. Insurers
- b. Bank
- c. Agents
- d. Public

8. Following table represents data related to a project where the investment is Rs. 40,000

Year	1	2	3	4	5
PBDIT	10,000	13,000	18,000	20,000	20,000
Depreciation	2,000	2,000	2,000	2,000	2,000
Interest	3,000	3,000	3,000	2,000	1,000
Principal Repayment	-	-	-	10,000	10,000

Find out Debt Service Coverage Ratio for 3rd year, if tax rate applicable is 30%.

- a. 2.83
- b. 1.53
- c. 4.7
- d. 1.65

9. Which model of PPP is used for the development of ports?

- a. BOO
- b. HAM
- c. BOOT
- d. LDO

10. A company's financial statement showed the following figures:

Operating profits: \$5,00,000
Interest Expense:\$1,00,000
Principal Payments : \$1,50,000
Calculate DSCR.

- a. 2
- b. 3
- c. 4
- d. 5

11. In Risk Adjusted Discounting Method the base is

- a. IRR , NPV
- b. Payback Reciprocal of the firm
- c. WACC of the Firm
- d. Cost of Debt Funds

12. For a Small project the following Information is available

Initial Outflow Rs	1,200,000.00
Annual Cash Inflow rs	450,000.00
Cost of Capital	14%
Duration in Year	4.00
PVIFA for cost of Capital to Duration is	2.91371

The sensitivity Factor for the Project Cost is

- a. 8.26 %
- b. 9.26%
- c. c) 9.10 %
- d. d) 8.62 %

13. Compute the Sensitivity of the Project to Project Cash Flow

Initial Outflow	150.00
Annual Cash Inflow	90.00
Cost of Capital	12%
Duration in Year	2.00
PVIFA for cost of Capital to Duration is	1.69005

- a. 1.38 %
- b. 1.42 %
- c. 1.40 %
- d. 1.83 %

14. Syndicated loan is a form of lending in which__:

- a. A group of lenders collectively extend a loan to a single borrower
- b. A lender extend a loan to group of borrowers
- c. A loan made by a single lender to a single borrower
- d. A group of lenders collectively extend a loan to group of borrowers

15. Which is the method of syndicated loan ?
- Club Method
 - Best effort method
 - Firm method
 - Borrower
16. Which amongst the following is involved in project financing?
- Export credit Agencies
 - Equity Advisor
 - Insurance Provider
 - Sponsors
17. The primary reason the insurance mechanism functions successfully is the
- predictability of losses via the law of large numbers
 - existence of hazards risk
 - existence of many non-industrial nations
 - ease with which losses can be measured
18. Person who assist the company in raising the fund through Syndicated Loan is called ?
- Mandate
 - Originator
 - Barrower
 - Director
19. Which regulator is not required to create an efficient bond/debt market for financing infrastructure projects
- SEBI
 - IRDA
 - RBI
 - TRAI
20. What is the following is not a name for the method of project financing for PPP projects ?
- Limited recourse Financing
 - Non Recourse Financing
 - Special Purpose Financing
 - Security Loan
21. Calculate Internal Rate of Return if investment is 200 and cash inflows for 2 years are 120 and 144.
- 18%
 - 5%
 - 11%
 - 20%
22. What am I? I am the different stages or main sections of the overall project.

- a. Tasks
- b. Activities
- c. Durations
- d. Timescales

23. Following table represents data related to a project where the investment is Rs. 80,000

Year	1	2	3	4	5
PBDIT	20,000	26,000	36,000	40,000	40,000
Depreciation	4,000	4,000	4,000	4,000	4,000
Interest	6,000	6,000	6,000	4,000	2,000
Principal Repayment	-	-	-	20,000	20,000

Find out Interest Coverage Ratio for 4th year, if tax rate applicable is 30%.

- a. 9
- b. 10
- c. 11
- d. 12

24. Calculate the DSCR (Debt service coverage ratio) for a project with the following information:

	(Rs.)
Revenue	400,000
Operating expense	<u>250,000</u>
Operating Profit	150,000
Interest expense	<u>9,000</u>
Profit before Tax (PBT)	141,000
Tax expense	<u>42,300</u>
0.Net profit	<u>98,700</u>

Assume the debt principle repayment for this year is \$55 million and that there is no change in working capital.

- a. 1.54
- b. 1.95
- c. 1.68
- d. 1.79

25. A Project has initial outflow of Rs. 150 Lacs . The project has Annual Cash flow of Rs. 90 Lacs and has a life of 2 years. The cost of capital for the said project is 12 per cent. The annuity factor @ 12 per cent for 2 years is 1.6905 and @ 13 per cent for 2 years is 1.6667. State which variable is most sensitive

- a. Cost of Capital

- b. Project Cost
- c. Annual cash flow
- d. NPV
