SOMAIYA
VIDYAVIHAR UNIVERSITY

Semester: Dec'23 – Apr' 24		
Maximum Marks: 50 Examination: End Term Exam Date: 22-04-2024 Duration: 3 hours		
Programme code: 15 **Programme:** MBA Sports Management 2023-25	**Class:** FY	**Semester: II**
College: K. J. Somaiya Institute of Management	**Name of the department:** Finance & Law	
Course Code: 217P14C203	**Name of the Course:** Financial Management in Sports	
Instructions: Question number 1 is compulsory. Of the remaining five questions, attempt any three questions. Total attempt should be of 50 Marks. **Do not use any ink other than black or blue to write your answers. Cancellation, if any, is to be done using pen only. Usage of scientific calculator is allowed.**		

Question No.		Max. Marks
Q.1	With an example of your choice, simulate a playing arena of any sports of your choice and simulate the total value of the assets (capital expenditure) needed for its construction as well as simulate the annual operating expenses associated with the same. Explain the breakup of each line item that you simulate for both the capital expenditure as well as the operating expenses. What are the ways and means by which you can finance this spend?	20
Q.2	**Part A:** Consider the following data: Risk free rate (Rf) = 6%, Beta (β) = 1.2, Market risk premium (Rm-Rf) = 5%, After tax cost of debt (Kd*(1-t)) = 5%, Weightage of Equity = 90%, Weightage of Debt = 10%. Using this data, calculate the weighted average cost of capital (WACC). **Part B:** If in the above data, all other parameters remain the same except that Beta (β) = 1.4 and weightage of equity and debt become equal, then what is the revised WACC?	10
Q.3	Consider the following table: (see table below) **Part A:** The above table reflects the various charges being incurred at various activity levels by a company dealing in sports goods at its warehouse. The manager is anticipating an activity level of 300 units for the coming year. Evaluate the behavior of each of the charges i.e. Rental, Packing and Loading and arrive at the charges likely to be incurred for each category at 300 units of activity level. **Part B:** Once the total of all the charges is arrived at in Part A, the management has decided to fund these expenses with a breakup of 20% equity and the rest as 80% working capital loan bearing an interest rate of 12% per annum. What is the total value of the repayment to be done to the bank if this loan is repaid with interest at the end of one year?	10
Q.4	Consider the following data of a company manufacturing sports equipment for the year 2023: Revenues = Rs. 100 Crores, EBIT as a percentage of Revenue = 30%, tax rate = 20%, Working Capital (WC) as a percentage of Revenue = 10%, Net Capex as a percentage of Revenue = 4%, Weighted Average Cost of Capital (WACC) = 10% in both forecasting as well as perpetuity phase, growth rate of forecasting phase for EBIT, WC and Net Capex = 10%, growth rate of perpetuity phase is 5%, duration of forecasting phase is 3 years. Using this data, arrive at the enterprise value using the Discounted cashflow valuation method (DCF technique). You can refer to the template below for your computations:	10

Q.3 table:

Activity Level	**100 units**	**200 units**	**400 units**
Rental Charges	Rs. 1,50,000	Rs. 1,50,000	Rs. 1,50,000
Packing Charges	Rs. 27,500	Rs. 55,000	Rs. 1,10,000
Loading Charges	Rs. 23,000	Rs. 43,000	Rs. 83,000
TOTAL	**Rs. 2,00,500**	**Rs. 2,48,000**	**Rs. 3,43,000**

Q.4 template:

Year	**2023**	**2024**	**2025**	**2026**
	0	**1**	**2**	**3**
Revenues				
EBIT				
Tax				
EBIT * (1-Tax Rate)				
Net Capex				
Working Capital				
Change in Working Capital				
FCFF				

Terminal Value (TV)				
Present Value (PV)				
Enterprise Value (EV)				

Please note that no values are to be entered in the cells marked in grey in above table.

Q.5 Refer to the data below which shows the cashflows in Rs. Crores associated with the construction (outflows) and revenues (inflows) of a stadium: **10**

Year	**0**	**1**	**2**	**3**	**4**	**5**
Outflows	-200	-110	-25	0	0	0
Inflows	0	0	50	125	175	200

Using the NPV method with the rate of discounting being 10%, evaluate whether the stadium should be constructed or not.

Q.6 **Answer the following questions:** **10**

a) If Interest: Debt, then _______: Equity.

b) The term IRR in Capital budgeting stands for __________.

c) The term NPV in capital budgeting stands for ___________.

d) Name the model used in computing terminal value of perpetuity phase using DCF valuation technique.

e) We use Inventory Turnover ratio to check whether the inventory is slow moving or fast moving. True or False?

f) The full form of EBIT is _________.

g) If a company is failing continuously for the past three years or so and does not hold much promise in future regarding its stability and performance, then it is best to take forecasting phase of lesser duration while valuating the company. True or False?

h) Classify the following as Non-current Assets or Current Assets:
Plant & Machinery, Inventory, Accounts Receivable of 2 months, Cash

i) Accounts Receivables means buyer's money lying in the hands of seller. True or False?

j) Total current assets = Rs. 24 lakhs and Total current liabilities = Rs. 12 lakhs. Then, value of Current ratio is ________.