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Ans to the Ques. No-04

CAPM— The capital asset pricing model (CAPM) is an idealized portrayal of how financial markets price securities and thereby determine expected returnes on capital investments. The model provides a methodology for quantifying risk and translating that risk into estimates of expected returne on equity.

CML— The capital market line (CML) represents Portfolios that optimally combine risk and return. CML is a special case of the capital allocation line (CAL) where the risk portfolio is the market portfolio.

SML— The security market line (SML) is a line drawn on a chart that serves as a graphical representation of the capital asset Pricing model (CAPM). The SML can help to determine whether an investment product would offer a favorable expected return

compared to its level of risk.

RFR — The risk-free rate is the theoretical rate of return on an investment with zero risk. As such, it is the benchmark to measure other investments that include an element of risk.

Beta — is a concept that measures the expected move in a stock relative to move in a stock relative to movements in the overall market. A beta greater than 1.0 suggests that the stock is more volatile than the broader market, and a beta less

Ans to the Ques. No-03

WACC is calculated by blending the weighted cost of equity with the weighted cost of debt after considering tax benefits. WACC is often used as the discount rate for capital Projects, so lower WACC calcuations make Project Profitability to achieve.

WACC can be used as a hurdle rate against which to assess ROIC performance. It also plays a key role in economic value added (EVA) calculations.

The weighted average cost of capital (WACC) is an important financial precept that is widely used in financial circles to test whether a return on investment can exceed or meet an asset, project, or company's cost of investment capital.

Weighted average cost of capital (WACC) represents a firm's average after tax cost of capital from all sources, including common stock, preferred stock, bonds, and other forms of debt.

WACC is the average rate that a company expects to pay to finance its assets.

The weighted Average cost of capital serves as the discount rate for calculating the Net present value (NPV) of a business. It is also used to evaluate investment opportunities, as it is considered to represent the firm's opportunities cost.

As a rule of thumb, a good WACC is one that is in line with the sector average. When investors and lenders require a higher rate of return to finance a company it may indicate that they consider it risker than the sector.

Ans to the Ques. No-02

The time value of money (TVM) is the concept that a sum of money is worth more now than the same sum will be at a future date due to its earnings potential in the interim. This is a core principle of finance. A sum of money in the hand has greater value than the same sum to be paid in the future.

Time value of Money Formula –

The most fundamental formula for the time value of money takes into account the following –

Based on these variables, the ~~follo~~ formula for TVM is :-

$$FV = PV\left(1 + \frac{i}{n}\right)^{n \times t}$$

where :-

FV = Future value of money

PV = Present value of money

i = interest rate

n = Number of compounding periods per year.

t = Number of years

The time value of money is the concep that money you have in hand today is worth more than money you'd get in the future.

There are four main type of cash flow related to time value of money — Future value of a lump sum, future value of an annuity, present value of a lump sum, and present value of an annuity.

Ans to the Ques. No - 01

Characteristics of a Multinational corporation—

- Very high assets and turnover
- Network of branches
- Control
- Continued growth
- Sophisticated technology
- Right skills
- Forceful marketing and advertising
- Good quality products.

Multinational corporations can be categorized into four different types — decentralized multinational corporations, centralised global corporations, international companies, and transnational enterprises.

The benefit to the local company of such joint production is two-fold.

First MNCs can ~~prix~~ provid money for additional investments, like buying new machine

(9)

By collaboration of MNC with local companies helps in the economic development of local companies. i) MNCs can provide money for additional investments, like buying new machines for faster production ii) MNCs might ~~to~~ bring with them the latest technology for production. iii) They earn greater profit

MNCs help in the growth of local companies

i) MNCs are spreading their production and interacting with local producer in various countries across the globe. ii) By setting up partnerships with local companies.

iii) By using the local Companies for supply

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