


<b>Name:</b>  <b>Enrolment No:</b>		
<b>UNIVERSITY OF PETROLEUM AND ENERGY STUDIES</b> <b>Online End Semester Examination, Dec 2020</b> <b>Course: Financial Management Sem: III Program: BBA Aviation Time 03 hrs.</b> <b>Course Code: FINC 1002 Max. Marks: 100</b>		
<b>SECTION A</b> <b>1. Each Question will carry 5 Marks</b> <b>2. Instruction: Complete the statement / Select the correct answer(s)</b>		
S. No.	Question	CO
Q 1	Which of the following statements is false A) NPV Rule recognizes that a rupee today is worth more than a rupee tomorrow, because the rupee today can be invested immediately. B) NPV depends on the forecasted cash flows from the project and the cost of capital C) NPVs for one company's separate projects may be added him up D) None of the above	CO3
Q2	State whether the following statements is true or false 1) Investors prefer diversified companies because they are less risky 2) If stocks were positively correlated , diversification would not reduce risk 3) Diversification over a large number of assets completely 4) A stock with a low standard deviation always contributes less to portfolio risk than a stock with a high standard deviation 5) The portion of risk that can be eliminated by diversification is called specific risk while the portion of the risk that you can't avoid is called as market risk.	CO4
Q3	For a stock paying a dividend of 1.85 per share and bought at 37 Rs / share, if the price of the share increases to 40.33 the total gain in Rupees for a portfolio of 100 stocks would be _____	CO3

Q4	Which of the following is not required in the context of construction of an optimal portfolio (A) Expected returns of the securities and its interrelationship (B) The relation between standard deviation of securities (C) The variance of the portfolio (D) The policy of the central bank and its stated interest rates.	CO2
Q5	Identify whether the statement is true or false  A stock provides two kinds of cash flows -Dividends and capital gains	CO1
Q6	Identify whether the statement is true or false  From the standpoint of view of investor a stock if left alone would continue to appreciate in price indefinitely	CO3
<b>SECTION B</b>		
1. Each question will carry 10 marks		
2. Instruction: Write short / brief notes		
Q 7	Assume that Arunanchal is about to receive 50000Rs a year for 20 years from the state lottery. Assume that Abheer receives the first payment immediately.Total number of payments is 20, calculate the present value of his earnings.	CO1
Q8)	ABC golf has decided to sell a new line of golf clubs.Scrutinize the below data relating to its projected cash flows to find out the NPV and the Payback period for ABC	
	Year      Project A	
	0            -Rs 10000	
	1            Rs 10000	
	2            Rs1000	
	3            Rs1000	
	For NPV assuming the discount rate to be 13 percent	

Q 9	The information pertaining to two stocks SuperTech and SlowPoke are mentioned below in four different states of the world	<b>CO1</b>
	State                      SuperTech                      SlowPoke	<b>CO2</b>
	D                                      -20%                                      5%	
	R                                      10 %                                      20%	
	N                                      30                                      -12	<b>CO3</b>
	B                                      50                                      9	
	Calculate the expected return and the deviation of the return from the expected returns for the above mentioned stocks	<b>CO2</b>
Q10	Assuming that the stock of Prithvi enterprise has a beta of 1.6 and Bhuumi has beta of 0.8 , with the risk free rate being 3.5 with the equity risk premium being 8 percent. Find out the expected return of Prithvi and Bhumi.Comment on the meaning of beta of a stock	
Q11	Given that a portfolio has one stock F with s.d. 43 percent and expected return of 10 percent, while G has the s.d. Of 62 percent and return of 15 percent with weights being 0.3 and 0,7 respectively.Find out the expected return and standard deviation of the portfolio. Comment on the benefits of diversification.	

**Section C**

- 1. Each Question carries 20 Marks.**
- 2. Instruction: Write long answer.**

Q12	Explain the concept of Market efficiency especially in the context of Indian financial markets	<b>CO2</b>
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