



Name:  
Enrolment No:

**UNIVERSITY OF PETROLEUM AND ENERGY STUDIES**  
**End Semester Examination, May 2024**

**Course: Valuation of Firms**  
**Program: BBA SPZ FIN**  
**Course Code: FINC2070P**

**Semester : IV**  
**Time : 03 hrs.**  
**Max. Marks: 100**

**Instructions:**

**SECTION A**  
**10Qx2M=20Marks**

| S. No. |  | Marks | CO  |
|--------|--|-------|-----|
| Q 1    | Working Capital is the _____.<br>A) Capital borrowed from the Banks.<br>B) Difference between Current Assets and Current Liabilities.<br>C) Difference between Current Assets and Fixed Assets.<br>D) Cash and Bank Balance.   | 2     | CO1 |
| Q 2    | The _____ is a measure of liquidity that excludes generally the least liquid asset.....<br>A) Liquid ratio, Accounts receivable.<br>B) Current ratio, inventory.<br>C) Liquid ratio, inventory.<br>D) Current ratio, Accounts receivable   | 2     | CO1 |
| Q 3    | Shareholders fund is equal to _____.<br>A) Equity share capital + Preference share capital.<br>B) Equity share capital + Revenues and Surplus.<br>C) Equity share capital + Preference share capital + Revenues and Surplus.<br>D) None of the options are correct   | 2     | CO1 |
| Q 4    | What does the term "net asset value (NAV)" represent in the context of mutual funds?<br>A) The total market value of the mutual fund's assets minus liabilities, divided by the number of shares outstanding.<br>B) The total amount of money invested in the mutual fund.<br>C) The annualized return on investment.<br>D) The cost of purchasing one share of the mutual fund. | 2     | CO1 |

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| Q 5  | <p>What term describes the fee charged by a mutual fund company for managing investors' money?</p> <p>A. Sales charge.<br/>B. Management expense ratio (MER)<br/>C. Front-end load.<br/>D. Back-end load.</p>  | 2 | CO1 |
| Q 6  | <p>Which of the following methods are not used in equity valuation</p> <p>A. Dividend Based Valuation<br/>B. Earnings Based Valuation<br/>C. Cash Flow Based Valuation<br/>D. Book Value Based Valuation</p>   | 2 | CO1 |
| Q 7  | <p>CAMP stands for:</p> <p>A. Capital assessment pricing model.<br/>B. Capital asset pricing model.<br/>C. Capital asset placement model.<br/>D. None of these.</p>  | 2 | CO1 |
| Q 8  | <p>When the debentures are issued at less than the face value they are deemed to be issued at a</p> <p>A. Discount<br/>B. Premium<br/>C. Par<br/>D. None of the above</p>  | 2 | CO1 |
| Q 9  | <p>Which of the following best describes a mutual fund?</p> <p>A. A government-regulated savings account.<br/>B. A type of insurance policy.<br/>C. An investment vehicle that pools money from multiple investors to invest in various securities.<br/>D. A form of retirement plan</p> | 2 | CO1 |
| Q 10   | <p>The _____ of a business firm is measured by its ability to satisfy its short-term obligations as they become due.</p> <p>A. Liquidity<br/>B. Debt<br/>C. Profitability<br/>D. Activity</p>  | 2 | CO1 |
| <p><b>SECTION B</b><br/><b>4Qx5M= 20 Marks</b></p> |  |   |     |
| Q 11   | Define right shares.   | 5 | CO2 |
| Q 12   | Define the term 'Business Valuation' mean?   | 5 | CO2 |
| Q 13   | Describe the advantages and limitations of ratio analysis.   | 5 | CO2 |
| Q 14   | Define the term:   | 5 | CO2 |

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|   | a) Fixed Rate Bond<br>b) Puttable Bond  |           |            |
| <b>SECTION-C</b><br><b>3Qx10M=30 Marks</b>  |   |           |            |
| Q 15  | Classify the mutual funds based upon the asset invested in.   | <b>10</b> | <b>CO3</b> |
| Q 16  | Starlite Limited is having its share quoted in major stock exchanges. The company is having a paid up capital of 10 lakh (Rs 10 each share). Dividend is distributed at the rate of 20% per annum. Annual growth rate in dividend is expected at 2%. The expected rate of return on its equity capital is 15%.<br>Calculate the value of the share of Starlite Limited based on Gordon's model.   | <b>10</b> | <b>CO3</b> |
| Q 17  | Calculate the implied Growth Rate and Return on Equity<br>Current stock price = Rs. 65<br>Next year's dividend =Rs. 4<br>Capitalization rate =12%<br>Earnings retention ratio =50%  | <b>10</b> | <b>CO3</b> |
| <b>SECTION-D</b><br><b>2Qx15M= 30 Marks</b> |   |           |            |
|   | Attempt <b>any two</b> questions from this section  |           |            |
| Q 18  | On 1-4-2012 ABC Mutual Fund issued 20 lakh units at Rs 10 per unit. Relevant initial expenses involved were Rs 12 lakhs. It invested the fund so raised in capital market instruments to build a portfolio of Rs 185 lakhs. During the month of April 2012 it disposed off some of the instruments costing Rs 60 lakhs for Rs 63 lakhs and used the proceeds in purchasing securities for Rs 56 lakhs. Fund management expenses for the month of April 2012 was Rs 8 lakhs of which 10% was in arrears.<br>In April 2012 the fund earned dividends amounting to Rs 2 lakhs and it distributed 80% of the realized earnings. On 30-4-2012 the market value of the portfolio was Rs 198 lakhs.<br>Mr. A, an investor, subscribed to 100 units on 1-4-2012 and disposed off the same at closing NAV on 30-4-2012. What was his annual rate of earning. | <b>15</b> | <b>CO4</b> |
| Q 19  | The ELU Co. is contemplating a debenture issue on the following terms:<br>Face Value Rs.100 per debentures<br>Terms to maturity 7 years<br>Coupon rate<br>Year 1-2 8%<br>Year 3-4 12%<br>Year 5-7 15%<br>The current market rate of interest in similar debentures is 15% p.a. The company proposes to price the issue so as to yield a (compounded) return of 16% p.a. to the investors. Determine the issue price. Assume the redemption of debenture at a premium of 5%.   | <b>15</b> | <b>CO4</b> |

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| Q 20 | In today's financial environment market provide an ample of options for investments. What are the factors to be considered before investing in equity mutual funds or debt mutual fund. | <b>15</b> | <b>CO4</b> |
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