VIRTUAL UNIVERSITY OF PAKISTAN

A Good Education is a Foundation For a Better Future
CORRECT ANSWER SOLVED BY HADI
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TEAM HADI(VU LAHORE)

MID TERM PAST PAPER

We Deal All Kind of VU Project
(PHP, .NET,ANDROID,PYTHON)

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WARNING: Team HADI is not responsible for any mistake or wrong answer. All students reading and using this document may check and confirm the answers at their own.

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Best of luck!

PAST PAPER

Question No : 1 of 27 Marks: 1 (Budgeted Time 1 Min)

Which of the following has "Beta" as a measure of risk?

Answer (Please select your correct option)

- Firm specific risk
- Diversifiable risk
- Unique risk
- Market risk

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Question No : 2 of 27 Marks: 1 (Budgeted Time 1 Min)

Assume that the expected returns of the portfolios are the same but their standard deviations are given in the options given below, which of the option represent the most risky portfolio according to standard deviation?

Answer (Please select your correct option)

- 1.5%
- 2.0%
- 3.0%
- 4.0%



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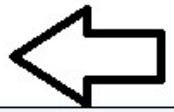
Question No : 3 of 27 Marks: 1 (Budgeted Time 1 Min)

The objective of financial management is to maximize _____ wealth.

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Answer (Please select your correct option)

- Stakeholders
- Shareholders
- Bondholders
- Directors



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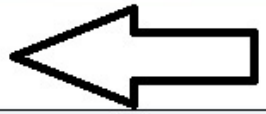
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Question No : 4 of 27 Marks: 1 (Budgeted Time 1 Min)

At the termination of the project we need to take into account:

Answer (Please select your correct option)

- Salvage value



- Book value
- Intrinsic value
- Fair value

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Question No : 5 of 27 Marks: 1 (Budgeted Time 1 Min)

Why companies invest in projects with negative NPV?

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Answer (Please select your correct option)

- Because there is hidden value in each project 
- Because they have chance of rapid growth
- Because they have invested a lot
- All of the given options

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Question No : 6 of 27 Marks: 1 (Budgeted Time 1 Min)

Which of the following is used to assess the financial position of a company?

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Answer (Please select your correct option)

- Financial statements
- Stock price in the market
- Credit worthiness of the company
- Capital structure of the company

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Question No : 7 of 27 Marks: 1 (Budgeted Time 1 Min)

Which of the following equation can represent income statement in best way?

Answer (Please select your correct option)

- Profit – Expenses = sales revenue
- Sales revenue – Expenses = Profit
- Assets + Liabilities= Equity
- Sales revenue + Equity = Assets

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Question No : 8 of 27 Marks: 1 (Budgeted Time 1 Min)

The probability of any one outcome for an event is always stated as a percentage of which of the following?

Answer (Please select your correct option)

- Most likely outcomes
- Total outcomes possible
- Past outcomes for the event
- Independent events

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Question No : 9 of 27 Marks: 1 (Budgeted Time 1 Min)

Which of the following fluctuations can convert a good investment decision into a bad one?

page 5

Answer (Please select your correct option)

- Inflation rate
- Interest rate
- Currency rate ⇦
- All of the given options

Correct answer solved by hadi

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Question No : 10 of 27 Marks: 1 (Budgeted Time 1 Min)

Suppose you have Rs. 500 and want to deposit in bank for 10 years at 7% interest rate. According to concept of "simple interest" what amount of interest you'll receive after 10 years.

Answer (Please select your correct option)

- Rs. 350
- Rs. 500
- Rs. 850
- Rs. 35

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Question No : 11 of 27 **Marks: 1 (Budgeted Time 1 Min)**

To calculate cash flow from operations, which of the given item is included in the adjustment of Net Income?

Answer (Please select your correct option)

- Accounts Receivable
- Deprecation Expenses for the period
- Rent of building for the period
- Purchases of raw material for operations

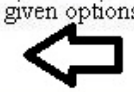
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Question No : 12 of 27 Marks: 1 (Budgeted Time 1 Min)

Which of the following is the example of an annuity?

Answer (Please select your correct option)

- Fixed coupon payments
- Insurance premium
- Monthly rental payments
- All of the given options



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Question No : 13 of 27 Marks: 1 (Budgeted Time 1 Min)

Which of the following make the calculation of NPV difficult?

Answer (Please select your correct option)

- Estimated cash flows
- Discount rate
- Anticipated life of the business
- All of the given options

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Question No : 14 of 27 Marks: 1 (Budgeted Time 1 Min)

What is the advantage to invest in an asset of longer life?

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Answer (Please select your correct option)

- Cash flows from the asset become non-predictable
- Cash flows from the asset become more predictable
- Cash inflows from the asset become non predictable
- Cash outflows from the asset become less predictable

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Question No : 15 of 27 Marks: 1 (Budgeted Time 1 Min)

Which of the following value keeps on moving and changing on daily basis?

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Answer (Please select your correct option)

- Book value
- Market value
- Salvage value
- Face value

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Question No : 16 of 27 **Marks: 1 (Budgeted Time 1 Min)**

What will be coupon receipt if coupon is paid annually.

Coupon rate	8%
Par value	Rs.1,000
Market value	Rs.1,775
Salvage value	0
Coupon receipts	?

Answer (Please select your correct option)

- Rs. 80
- Rs. 142
- Rs.124
- Rs.8

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Question No : 17 of 27 Marks: 1 (Budgeted Time 1 Min)

What will be current yield, if a company issued a bond of Rs. 1,000 that is currently trading for Rs. 975 and coupon rate was 7%?

Answer (Please select your correct option)

- 7.00 %
- 6.53 %
- 8.53 %
- 7.18 %



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Question No : 18 of 27 Marks: 1 (Budgeted Time 1 Min)

There is inverse relationship between bond price and _____.

Answer (Please select your correct option)

- Market interest rate 
- Par value
- Coupon rate
- Market value

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Question No : 19 of 27 Marks: 1 (Budgeted Time 1 Min)

Which of the following security is NOT known as a direct claim security?

check plz

Answer (Please select your correct option)

- Common stocks
- Bonds
- Preferred stocks
- None of the given options ⇦

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Question No : 20 of 27 **Marks: 1 (Budgeted Time 1 Min)**

How stock price will be affected if "There is increase in the dividend growth rate and all else remains same"?

Answer (Please select your correct option)

- Stock price will be decreased
- Stock price will be increased
- Stock price will remain constant
- Required more information to analyze situation

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Question No : 21 of 27 **Marks: 1 (Budgeted Time 1 Min)**

A company paid dividend recently of Rs. 1.75 and expected to grow at a constant rate of 5% a year into indefinite future. An appropriate required rate of return on the stock is 10%. What would be the expected dividend per share for the next year?

Answer (Please select your correct option)

- Rs. 1.84
- Rs. 1.48
- Rs. 1.93
- Rs. 1.39

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Question No : 22 of 27 Marks: 1 (Budgeted Time 1 Min)

Which of the following are necessary to keep into consideration while analyzing any investment?

Answer (Please select your correct option)

- Risk related to investment only
- Return related to investment only
- Risk and return related to investment
- Required more information

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Question No : 23 of 27 Marks: 3 (Budgeted Time 6 Min)

If Affifa deposits Rs. 25,000 in her saving account at the end of each year for the next 15 years, how much she will get at the end of this period if the interest rate is 10%?

Answer (Please click here to Add Answer)

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Question No : 24 of 27 **Marks: 3 (Budgeted Time 6 Min)**

Suppose OAGDCL Company has a "Project M" which requires initial cash outflow of Rs. 2.8 million. Cash inflow generated by the Project M at the end of 1st year is Rs.7.2 million and Project required more capital of Rs. 6 million at the end of 2nd year. OAGDCL Company wants to evaluate the Project by using capital budgeting technique.

Required:

Which of the following capital budgeting technique will not give more suitable result to OAGDCL Company and why?

- Internal Rate of Return (IRR)
- Modified Internal Rate of Return (MIRR)

Answer (Please click here to Add Answer)



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Question No : 25 of 27 Marks: 3 (Budgeted Time 6 Min)

How portfolio risk will be affected if its positively correlated securities are replaced by negatively correlated securities? Justify your answer.

Answer (Please click here to Add Answer)

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Question No : 26 of 27 **Marks: 5 (Budgeted Time 10 Min)**

Hammad Inc. is considering two alternative, mutually exclusive projects. Both projects require an initial investment of Rs. 10,000 and are typical, average-risk projects for the firm. Project A has an expected life of 2 years with after-tax cash inflow of Rs. 6,000 and Rs. 8,000 at the end of year 1 and 2, respectively.
Project B has an expected life of 4 years with after-tax cash inflow of Rs. 4,000 at the end of each of next 4 years. The firm's cost of capital is 10 percent.
If the projects cannot be repeated, which project will be selected, and what is the net present value?

Answer (Please click here to Add Answer)

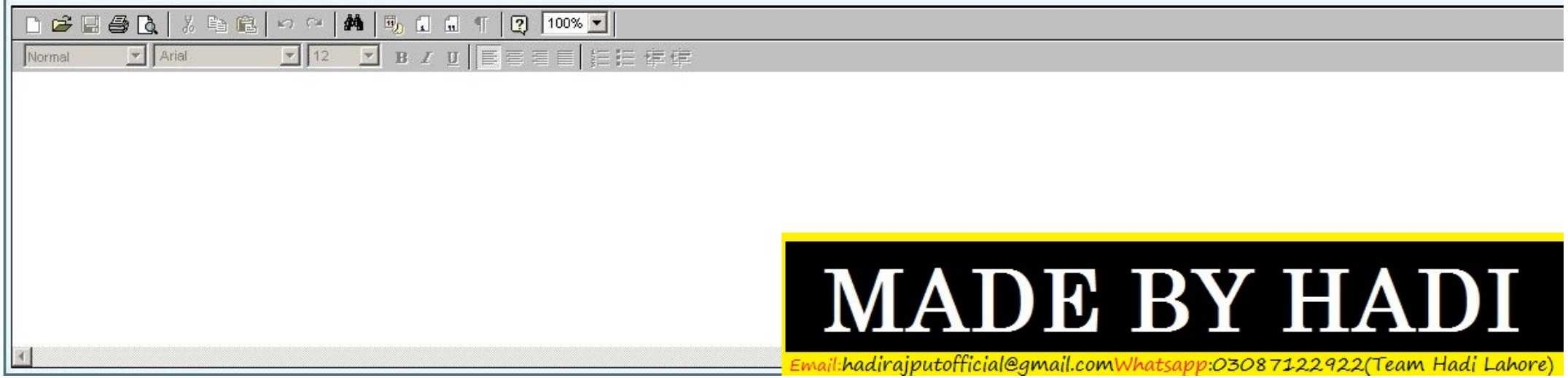
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Question No : 27 of 27 **Marks: 5 (Budgeted Time 10 Min)**

Compare 3 Investments in terms of Risk & Return and decide which one is the best Investment?

Risk	**(Std Dev)**	**Expected Return**
Investment A	23.24%	10%
Investment B	5%	10%
Investment C	30%	30%

Answer (Please click here to Add Answer)



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