VIRTUAL UNIVERSITY OF PAKISTAN

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TEAM HADI(VU LAHORE)

MID TERM PAST PAPER

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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 # 14 of 15 (Start time: 06:29:32 PM, 05 June 2018) **Total Marks:** 1

At the termination of project, which of the following needs to be considered relating to project assets?

Select the correct option

- (●) Salvage value
- ( ) Book value
- ( ) Intrinsic value
- ( ) Fair value

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Question # 1 of 15 (Start time: 12:44:35 PM, 23 May 2018) **Total Marks**

Which of the followings is a legal agreement between bondholders and bond issuers that establishes term of bonds?

Select the correct option

- (●) Indenture



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- ( ) Debenture
- ( ) Bond
- ( ) Bond trustee

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Question # 2 of 15 (Start time: 12:46:29 PM, 23 May 2018) **Total Marks:** 1

Which of the followings provide practical basis to the capital budgeting because the decisions of capital budgeting are made with limited financial resources in normal situations?

Select the correct option

- Capital Budgeting
- Capital Rationing
- Capital Derationing
- Capital Disbursement

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Question # 3 of 15 (Start time: 12:48:33 PM, 23 May 2018) **Total Marks:** 1

Analyze which of the following statements is true regarding characteristic(s) of Perpetuity.

Select the correct option

- It is an annuity
- It has no definite end
- It is a constant stream of identical cash flows
- All of the given options

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Question # 7 of 15 (Start time: 05:53:14 PM, 05 June 2018) **Total Marks:** 1

What is the expected return of "security L" if its coefficient of variation and standard deviation are 1.3 and 20% respectively.

Select the correct option

- (●) 26%
- ( ) 15.38%
- ( ) 18.7%
- ( ) 21.3%

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Question # 4 of 15 (Start time: 12:50:27 PM, 23 May 2018) **Total Mark**

What type of long-term financing most likely has the following features: 1) it has an infinite life, 2) it pays dividends, and 3) its cash flows are expected to be a constant annuity stream?

Select the correct option

- Long-term debt
- Preferred stock
- Common stock
- None of the given options

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Question # 8 of 15 (Start time: 05:54:10 PM, 05 June 2018) **Total Marks:** 1

The major difference between floating bond and zero bond is:

Select the correct option

- Zero bond is sold on discount whereas floating bond is not sold on discount
- Both can be sold on discount
- Price of floating bond is always greater then the price of zero rate bond
- None of these

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Question # 5 of 15 (Start time: 12:51:38 PM, 23 May 2018) **Total Marks:** 1

Which value of the product depends upon the demand and supply of the product?

check

Select the correct option

- Book value
- Market value
- Liquidation value
- Intrinsic value



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Question # 9 of 15 (Start time: 05:55:39 PM, 05 June 2018) **Total Marks:** 1

Which of the following bonds is based on small denomination with speculative grading (below BB)?

Select the correct option

- ○ Debenture
- ● Junk bond
- ○ Mortgage bonds
- ○ Floating rate bonds



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Question # 8 of 15 (Start time: 12:57:08 PM, 23 May 2018) **Total Marks:** 1

An annuity due consists of a series of equal payments at the beginning of each period.

Select the correct option

- ○ Annuity
- ● Ordinary annuity ⇦
- ○ Annuity due
- ○ Perpetuity

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Question # 9 of 15 (Start time: 12:58:25 PM, 23 May 2018) **Total Marks:** 1

Why companies invest in projects with negative NPV?

Select the correct option

- (●) Because there is hidden value in each project



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- ( ) Because there may be chance of rapid growth
- ( ) Because they have invested a lot
- ( ) All of the given options

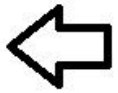
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Question # 10 of 15 (Start time: 12:59:24 PM, 23 May 2018) **Total Marks:** 1

An _____is a series of fixed payments, which might be over a fixed number of years, or over the lifetime of an individual, or both.

Select the correct option

- Annuity due
- Ordinary annuity
- Annuity
- All of the given options



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Question # 12 of 15 (Start time: 01:02:33 PM, 23 May 2018) **Total Marks:** 1

Which of the following techniques would be used for a project that has non-normal cash flows?

Select the correct option

- Internal rate of return
- Multiple internal rate of return
- Modified internal rate of return
- Net present value

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Question # 13 of 15 (Start time: 01:04:05 PM, 23 May 2018) **Total Marks:**

Companies invest in projects with negative NPV because there is a hidden value in each project i.e. an opportunity, which is known as a/an _____.

Select the correct option

- Opportunity cost
- Derivative
- Sunk cost
- Option



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Question # 15 of 15 (Start time: 01:06:47 PM, 23 May 2018) **Total Marks:**

Which of the following bonds is based on small denomination with speculative grading (below BB)?

Select the correct option

- Debenture
- Junk bond
- Mortgage bonds
- Floating rate bonds



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Question # 5 of 15 (Start time: 01:15:45 PM, 23 May 2018) **Total Marks:** 1

Abnormal or downward sloping yield curve implies that:

Select the correct option

- ○ Short term rates are lower than long term interest rates
- ● Short term rates are higher than long term interest rates
- ○ Short term rates are same as long term interest rates
- ○ None of the given options

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Question # 12 of 15 (Start time: 01:25:08 PM, 23 May 2018) **Total Marks:**

Which of the following is calculated by summing up the discounted future cash flows?

Select the correct option

- Market value
- Historical value
- Fair value
- Liquidation value

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Question # 13 of 15 (Start time: 01:26:05 PM, 23 May 2018) **Total Marks:** 1

Which of the following may be defined as the ratio of the present value of future cash flows to the initial investment?

Select the correct option

- Payback period
- Internal rate of Return
- Net present value
- Profitability index

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Question # 15 of 15 (Start time: 01:28:25 PM, 23 May 2018) Total Marks:

A technique that tells us the number of years required to recover our initial cash investment based on the project's expected cash flows is:

Select the correct option

- (●) Pay back period



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- ( ) Internal rate of return
- ( ) Net present value
- ( ) Profitability index

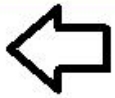
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Question # 2 of 15 (Start time: 01:32:34 PM, 23 May 2018) **Total Marks:** 1

_____is charged by the investor, as compensation, against the risk that the company might goes bankrupt.

Select the correct option

- Maturity Risk Premium
- Default Risk Premium
- Sovereign Risk Premium
- None of the given options



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Question # 6 of 15 (Start time: 01:34:02 PM, 23 May 2018) **Total Ma**

The initial cash outflow of the project C is Rs. 800,000 and the sum of project's future cash inflows is Rs. 600,000. What is the Profitability Index of the project C?

Select the correct option

- ○ 200,000
- ○ -200,000
- ○ 0.75
- ● 1.33



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Question # 2 of 15 (Start time: 06:10:58 PM, 05 June 2018) **Total Marks:** 1

Capital rationing is needed when:

Select the correct option

- ○ There are not enough positive NPV projects.
- ● Company does not have access to all the funds it could make use of.
- ○ Managers find it difficult to decide how to fund projects.
- ○ Banks require very high returns on projects.

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Question # 1 of 15 (Start time: 06:09:55 PM, 05 June 2018) **Total Marks:** 1

Which of the following is simply the weighted average of the possible returns, with the weights being the probabilities of occurrence?

Select the correct option

- Probability distribution
- Expected return
- Standard deviation
- Coefficient of variation

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Question # 15 of 15 (Start time: 06:05:38 PM, 05 June 2018) **Total Marks:** 1

Which one of the followings is type of problem associated with Capital Rationing?

Select the correct option

- Size Difference of cash flows
- Same timing of cash flows
- Equal Lives of different projects
- None of the given options



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Question # 11 of 15 (Start time: 05:59:06 PM, 05 June 2018) **Total Marks:**

A statistical measure of the variability of a distribution around its mean is referred to as _____.

Select the correct option

- Probability distribution
- Expected return
- Standard deviation
- Coefficient of variation



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Question # 10 of 15 (Start time: 05:57:10 PM, 05 June 2018) **Total Marks:** 1

Incidental cash flow that arises because of the effect of new project on the existing or running business is known as:

Select the correct option

- Opportunity cost
- Externalities
- Sunk cost
- Carrying cost



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Question # 4 of 15 (Start time: 06:14:09 PM, 05 June 2018) **Total Marks:** 1

Which one of the following selects the combination of investment proposals that will provide the greatest increase in the value of the firm within the budget ceiling constraint?

Select the correct option

- Cash budgeting
- Capital budgeting
- Capital rationing
- Capital expenditure



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Question # 12 of 15 (Start time: 06:01:11 PM, 05 June 2018) **Total Marks:** 1

Coefficient of variation is NOT the measure of _____.

Select the correct option

- ○ Risk
- ● Probability
- ○ Relative dispersion
- ○ Risk per unit of expected return



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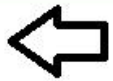
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Question # 5 of 15 (Start time: 05:50:55 PM, 05 June 2018) **Total Marks:** 1

For most firms, P/E ratios and risk_____.

Select the correct option

- Will be directly related
- Will have an inverse relationship
- Will be unrelated
- None of the given options



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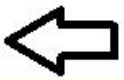
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Question # 3 of 15 (Start time: 05:47:44 PM, 05 June 2018) Total Marks: 1

_____ are the costs that have already incurred in the past and cannot be recovered.

Select the correct option

- Opportunity cost
- Externalities
- Sunk cost
- Carrying cost



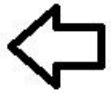
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Question # 15 of 15 (Start time: 06:30:38 PM, 05 June 2018) **Total Marks:** 1

A statistical measure of the variability of a distribution around its mean is referred to as _____.

Select the correct option

- ○ Probability distribution
- ○ Expected return
- ● Standard deviation
- ○ Coefficient of variation



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Question # 14 of 15 (Start time: 06:04:45 PM, 05 June 2018) **Total Marks:**

A bond pays Rs. 180 as coupon payment and traded in market at Rs. 950. What would be Interest Yield of the bond?

Select the correct option

- 18.95%
- 5.27%
- 18.00%
- None of the given options

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Question # 9 of 15 (Start time: 06:21:47 PM, 05 June 2018) **Total Marks:** 1

An exporter incurs costs for analyzing the market and for exploring opportunities and seeking commercial partners. The exporter incurs which of the following cost?

Select the correct option

- ○ Externalities
- ● Sunk costs
- ○ Opportunity cost
- ○ Fixed cost



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