VALUATION AND PORTFOLIO MANAGEMENT
QUIZ 1 (VARIANT A)

Time: 20 minutes **Max. Marks 11**

Instructions for students:

1. Write the roll nos. of your immediate neighbours in the response sheet.
2. IN MCQs select the correct alternative (only one) and mark that in the response sheet. In the fill in the blank question write the answer correct up to 2 decimal places.
3. The question paper has to be returned after the quiz.

1. Which of the following statement is FALSE about ordinary shareholders?
   A. Ordinary shareholders are entitled to dividends every year
   B. Ordinary shareholders have voting rights to the company
   C. Ordinary shareholders have the right to receive annual reports and accounts
   D. Ordinary shareholders are ranked below bondholders in terms of entitlement to assets in the event of company liquidation.

2. Which of the following statements is true of a call option?
   A. The purchaser has an obligation to purchase shares at a future date.
   B. The purchaser has a right but not an obligation to purchase shares at a future date.
   C. The purchaser has a right but not an obligation to sell shares at a future date.
   D. The purchaser has an obligation to sell shares at a future date.

3. A call option with a strike price of Rs. 12.00 is issued on a STOCK with an option premium of Rs.1.50. On expiry, the asset price is Rs.11.00. The call option holder should
   A. Exercise because the premium + asset price at expiry exceeds Rs.11.00
   B. Not exercise because the strike price is lesser than the asset price at expiry
   C. Exercise because the asset price at expiry is below Rs.11.00
   D. Not exercise because the strike price is greater than the asset price at expiry

4. If an investor sells / writes a put option and the stock price at expiry is greater than the strike or exercise price, what will happen?
   A. The put option seller / writer decides to exercise or not
   B. The put option holder will decide not to exercise since the strike price is less than the asset price
   C. The put option holder will decide to exercise or not, depending on the premium paid
   D. The put option seller / writer will decide to exercise or not depending on the premium received

5. A fund has an NAV of Rs.7.00 per unit and an exit load of 6%. How much will the investor receives if she/he sells the units?
   A. Rs.6.58
   B. Rs.7.58
   C. Rs.6.60
   D. Rs.7.42

6. What is a European option?
   A. An option traded on European exchange.
   B. An option written on the assets of a European company.
   C. An option that may be exercised any time up to and including the expiration date.
   D. An option that can only be exercised on its maturity date.

7. A Put Option:
   A. gives the option holder the right - not the obligation - to buy the underlying asset at a specified price.
   B. gives the option writer the right - not the obligation - to buy the underlying asset at a specified price.
   C. gives the option writer the obligation - not the right - to sell the underlying asset at a specified price.

D. gives the option holder the right - not the obligation - to sell the underlying asset at a specified price.

8. If you purchase a May put option at Rs. 50 for a premium of Rs. 10. Your breakeven is

A. Rs. 50
B. Rs. 60
C. Rs. 40
D. Rs. 45

9. In an options contract the expiration date is the date on which

A. the option holder (buyer) must exercise.
B. the option writer's (seller) rights expire.
C. the option holder's (buyer) rights expire.
D. The option writer (seller) must exercise.

10. A bond having coupon rate 9 % p.a, when current coupons for bonds of similar maturities are yielding 11% will sell

A. At a price which is not related to interest rates for similar maturities
B. Above face value
C. At face value
D. Below face value

11. A 40 year zero coupon bond of face value Rs. 400,000 is available at Rs. 10,000. What is the expected return over a 40 year holding period? (answer to 2 decimal places) ________

QUIZ 1 (VARIANT A)

Left Roll No___________________ Right Roll No._________________

Roll No. Name _______________________________________

Qs No	**1**	**2**	**3**	**4**	**5**	**6**
Answer						
Qs No	**7**	**8**	**9**	**10**	**11**	
Answer						