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Roll No.....	
THAPAR UNIVERSITY SCHOOL OF HUMANITIES AND SOCIAL SCIENCES	
B.E(2ENC, 2CI) 2nd Year, Time: 2 Hours; MM: 35 Instructors: Pawan Kumar Singh	MST: April 1, 2022 UHU018: Introduction to Corporate finance
Instructions: Attempt any 5 questions. Attempt all the parts of questions at one place. Be precise and to the point. Please do mention page no. on first page of answer sheet	
1. Explain three major methods of share valuation.	7
2. Describe functions of financial management and factors affecting the dividend decision.	7
3. Describe the main instrument of money market?	7
4. Explain the role of stocks and bonds in the financial markets.	7
5. Define the concept of CAPM with Capital market line and Security market line.	7
6. You are required to analyze the situation using CAPM and determine the alpha for security 'X'. Decide whether it is worth investing in Security 'X'. • Risk-Free Rate=5 PA. • Rate of Return in the Market=15% PA. • Average Rate of Return on Security 'X'=20 PA.%. • A beta of Security 'X'=1.2 times.	5+2
7. Define major components of Bond Valuations and its importance.	7

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UHU018: Introduction to Corporate finance

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QUIZ: Total MCQ 10

1. According to the capital-asset pricing model (CAPM), a security's expected (required) return is equal to the risk-free rate plus a premium
 - a. equal to the security's beta.
 - b. based on the unsystematic risk of the security.
 - c. based on the total risk of the security.
 - d. based on the systematic risk of the security.
2. The risk-free security has a beta equal to _____, while the market portfolio's beta is equal to _____.
 - a. one; more than one.
 - b. one; less than one.
 - c. zero; one.
 - d. less than zero; more than zero.
3. Financial management is mainly concerned with.....
 - a. All aspects of acquiring and utilizing financial resources for firms activities
 - b. Arrangement of funds
 - c. Efficient Management of every business
 - d. Profit maximization
4. Investment can be defined as
 - a. Person's dedication to purchasing a house or flat
 - b. Use of capital on assets to receive returns
 - c. Usage of money on a production process of products and services
 - d. Net additions made to the nation's capital stocks
5. The capital budget is associated with.
 - a. Long terms and short terms assets
 - b. Fixed assets
 - c. Long terms assets
 - d. Short term assets
6. CAPM stands for.
 - a. Capital asset pricing model.
 - b. Capital amount printing model.
 - c. Capital amount pricing model.
 - d. Capital asset printing model.
7. From the below-mentioned items which are financial assets?
 - a. Machines
 - b. Bonds
 - c. Stocks
 - d. B and C
8. What do we call the rate at which the Reserve Bank of India lends money to commercial banks?
 - a. Repo Rate
 - b. Reverse Repo Rate
 - c. Bank Rate
 - d. SLR
9. Assuming the CAPM holds, the most appropriate discount rate to use in valuing a project to double the size of an all-equity firm's main factory is:
 - a. The risk free rate plus the company's beta times (RM-RF) .
 - b. the risk free rate plus the standard deviation of the project's returns
 - c. the internal rate of return on the project
 - d. the risk free rate plus the company's beta
10. A bond's duration is higher when
 - a. The coupon rate is higher
 - b. The coupon rate is lower
 - c. Yield to maturity is higher
 - d. None of the above