Roll No.__________

University of Petroleum & Energy Studies

End-Semester Examination – May, 2019

Programme Name: BBA-Core **Semester VI**
Subject: Strategic Financial Management **M.Marks: 100**
Subject code: BBCF 148 **Duration: 3 Hrs**

Section – A (20 Marks) **(20×1 Marks)**

Each question carry equal marks

Q1. A derivatives contract cannot exist without an ________. (CO2)
(a) Exchange (b) Underlying, be it equity, interest rate etc.
(c) Increase in volatility (d) Increase in arbitrage

Q2. Maximization of wealth of shareholders is reflected in (CO3)
a) Sales Maximization c) No. of shareholders
b) Market price of equity shares d) SENSEX

Q3. Speculators will buy a foreign currency through a forward market deal if: (CO4)
a) Future spot rate of that currency is expected to be lower than the forward rate
b) Future spot rate of that currency is expected to be higher than the forward rate
c) If future spot rate is expected to be equal to the forward rate
d) None of the above

Q4. Equal annual cash flows occurring at the end of each year for certain period are known as: (CO2)
a) Annuity c) Perpetuity
b) Annuity Due d) Deferred Payments

Q5. The _____ states that exchange rates between any two currencies will adjust to reflect changes in the price levels of the two countries. (CO1)
a) theory of purchasing power parity b) law of one price
c) theory of money neutrality d) quantity theory of money

Q6. CAPM accounts for (CO3)
a) Systematic risk c) Unsystematic risk
b) Price risk d) None

Q7. Arbitrage is a strategy of taking advantage of _____ between two markets. (CO4)
(a) price differential (b) theoretical prices
(c) interest rate differential (d) timing

Q8. Capital Budgeting involves (CO2)
a) Short-term investment decisions c) Long-term investment decisions
b) Neither long term nor short term d) Financing decisions

Q9. Risk in capital budgeting implies that the decision maker knows………. Of the cash flows (CO1)
a) Variability c) Probability
b) Certainty d) None of the above

Q10. Futures contracts are attractive for market participants as compared to OTC contracts because futures contracts have ________. (CO3)
(a) a settlement guarantee mechanism. (b) a greater money making potential
(c) zero risk (d) minimum volatility

Q11. Which of the following is not regulated by SEBI? (CO2)
a) Foreign Institutional Investors c) Foreign Direct Investment
b) Mutual Funds d) Depositories

Q12. What is LIBOR? (CO4)
a) London interest borrowed b) London interbank offer rate
b) London rate borrowed on interest d) None of the above

Q13. Rule of 72 is a short-cut method to estimate the: (CO2)
a) Present Values c) Compounding Effect
c) Doubling period d) None of the above

Q 14. Financial Assets include: (CO3)

a) Cash and bank balance c) Debts
b) Equity d) All of the above

Q15. The main reasons for time preference for money include (CO1)

a) Reinvestment opportunities c) Uncertainty
b) Inflation d) All of the above

Q 16. The future value of Rs 100 invested now at 10% after 3 years will be (CO3)

a) Rs 133 c) Rs 130
b) Rs 125 d) Rs 118

Q17. The present value of Rs 1000 to be received after one year at 8% p.a. is (CO2)

a) Rs 921 c) Rs 918
b) Rs 926 d) Rs 1080

Q18 What is In-the-money call option? (CO4)

a) Strike price> exercise price b) Strike price< exercise price
b) Strike price=exercise price d) None of these

Q19. Concept of Future Value and Present Value are: (CO3)

a) Proportionately related c) Inversely related
b) Directly related d) Not related

Q20 On 15th January Mr. Arvind Sethi bought a January USD/INR futures contract which cost him Rs.43,000. Each USD/INR futures contract is for delivery of USD1000. The RBI reference rate for final settlement was fixed as 43.10. How much profit/loss did he make? (CO2)

(a) (+) Rs. 1000 (b) (+) Rs. 100
(c) (-) Rs.100 (d) (-) Rs. 1000

Section – B (5×4 Marks)

Each question is of 5 marks. Attempt any four

Q1. What is Marking-to-Market? Explain with an example (CO1)

Q2. Discuss the relationship that exists between financial objectives and organizational strategy (CO3

Q3. Calculate the net present value for project X which initially costs Rs. 2500 and generates year-end cash inflows of Rs 900, Rs. 800, Rs. 700, Rs. 600 and Rs. 500 in one through five years. The cost of capital is assumed to be 10 %. (CO4)

Q4.What functions are performed by Reserve Bank of India? (CO1)

Q5. Discuss the different types of Quotations of forex market (CO2)

Section – C (10×3 Marks)

Each question is of 10 marks. Attempt any three

Q1. Anurag Limited borrows Rs.2, 000,000 at an interest rate of 12 percent. The loan is to be repaid in 5 equal annual instalments payable at the end of each of the next 5 years. Prepare the loan amortization schedule (CO1

Q2. What are the functions of Foreign Exchange Market & Who are the Participants of the foreign Exchange Market? (CO2

Q3. Suppose a 6-m forward contract on shares of ITC Limited is available. The current market price of ITC is Rs 180. If the risk free interest is s 6% per annum what should be the price of the 6 month forward contract?(C

Q4. a) How are forward contracts different from futures contracts? (CO3)

b) What is an option? Distinguish between a call option and a put option.

Section – D (15×2 Marks)

Each question is of 15 marks. Attempt any two

Q1. A 2-month call option on an asset with strike price of Rs 2,100 is selling for Rs 140 when the share is trading at Rs 2,200. Find out the following: (CO1)

i) What is the intrinsic worth of the call option?
ii) Why should one buy the call for a price in excess of intrinsic worth?
iii) Under what circumstances the option holder would exercise his call?
iv) At what price of the asset the call option holder would break even?
v) If the price of the asset becomes Rs 2,150, should the option holder exercise the call option?
vi) What is the profit/loss of the holder and writher if the price of the asset is Rs 2,000, Rs 2,250 and Rs 2,500 on the date of expiry of the option?

Q2. What is Venture capital? Discuss its features and also explain the process of appraisal for venture funding. (CO2)

Q3. What is Purchasing Power Parity? Derive the equation of Purchasing Power Parity. Explain absolute and relative versions of purchasing power Parity (CO3)

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Q4. Discuss the relationship that exists between financial objectives and organizational strategy (CO3)
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Section – C (10×3 Marks)

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Q1. Suppose a 6-m forward contract on shares of TCS Limited is available. The current market price of TCS is Rs 280. If the risk free interest is s 8% per annum what should be the price of the 6 month forward contract?(C
Q2. Rehan Limited borrows Rs.1,000,000 at an interest rate of 12 percent. The loan is to be repaid in 4 equal annual instalments payable at the end of each of the next 4 years. Prepare the loan amortization schedule (CO1
Q3. a) How are forward contracts different from futures contracts? (CO3)
b) What is an option? Distinguish between a call option and a put option.
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