



Name:
Enrolment No:

UNIVERSITY OF PETROLEUM AND ENERGY STUDIES
End Semester Examination, May 2023

Course: Investment Banking
Program: B.COM-H-ECOM&BI
Course Code: FINC2074

Semester : IV
Time : 03 hrs.
Max. Marks: 100

Instructions:

SECTION A
10Qx2M=20Marks

S. No.		Marks	CO
Q 1	Which of the following is NOT a typical service provided by an investment bank? a) Underwriting of securities offerings b) Mergers and acquisitions advisory c) Asset management for retail clients d) Trading of securities on behalf of clients	2	CO1
Q 2 are the creditors of a company a. Debenture holders b. Equity shareholders c. Preference shareholders d. None of these.	2	CO1
Q 3	Which of the following methods are not used in equity valuation a. Dividend Based Valuation b. Earnings Based Valuation c. Cash Flow Based Valuation d. Book Value Based Valuation	2	CO1
Q 4	When the shares are redeemed at a premium it is a for the company which issued shares. a. Loss b. Profit c. Neither profit nor loss d. None of these	2	CO1
Q 5	Which among the following does not fall under the category of government securities? a. Dated securities b. Treasury bills c. State Development Loans	2	CO1

	d. Certificate of Deposits		
Q 6	NAV stand for: a. Net Asset Value b. Net Amortization Value c. Notional Asset Value d. Notional Amortization Value	2	CO1
Q 7	When the debentures are issued at less than the face value they are deemed to be issued at a a. Discount b. Premium c. Par d. None of the above	2	CO1
Q 8	What is the role of an underwriter in an initial public offering (IPO)? a) To buy shares directly from the company and then sell them to the public. b) To provide advisory services to the company issuing the shares. c) To guarantee a minimum price for the shares being issued. d) To facilitate the distribution of the shares to investors.	2	CO1
Q 9	CAPM stands for: a) Capital assessment pricing model. b) Capital asset pricing model. c) Capital asset placement model. d) None of these.	2	CO1
Q10 is the amount left over after individual consumption: a) Investment b) Saving c) Surplus d) Money	2	CO1
SECTION B 4Qx5M= 20 Marks			
Q 11	Define the term: a) Opportunity Cost b) Equity Risk Premium	5	CO2
Q 12	Define any three special funds available in the market.	5	CO2
Q 13	Define Real Cash Flow and Nominal Cash Flow.	5	CO2
Q 14	Discuss the classifications/types that the investment banks fall into.	5	CO2

SECTION-C
3Qx10M=30 Marks

Q 15	What are the various services/functions that are provided by the investment banker to its client. You are required to briefly describe those key business areas of services of investment banks.	10	CO3																					
Q 16	You are required to classify the mutual funds depending upon the assets in which capital has been invested.	10	CO3																					
Q 17	Z Ltd. is foreseeing a growth rate of 12% per annum in the next 2 years. The growth rate is likely to fall to 10% for the third year and fourth year. After that the growth rate is expected to stabilize at 8% per annum. If the last dividend paid was `1.50 per share and the investors' required rate of return is 16%, find out the intrinsic value per share of Z Ltd. as of date. You may use the following table:	10	CO3																					
	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center;">Years</td> <td style="text-align: center;">0</td> <td style="text-align: center;">1</td> <td style="text-align: center;">2</td> <td style="text-align: center;">3</td> <td style="text-align: center;">4</td> <td style="text-align: center;">5</td> </tr> <tr> <td style="text-align: center;">Discounting Factor</td> <td style="text-align: center;">1</td> <td style="text-align: center;">0.86</td> <td style="text-align: center;">0.74</td> <td style="text-align: center;">0.64</td> <td style="text-align: center;">0.55</td> <td style="text-align: center;">0.48</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </table>	Years	0	1	2	3	4	5	Discounting Factor	1	0.86	0.74	0.64	0.55	0.48									
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SECTION-D
2Qx15M= 30 Marks

	Attempt any two questions from this section:		
Q 18	Y Limited, just declared a dividend of Rs 14.00 per share. Mr. B is planning to purchase the share of X Limited, anticipating increase in growth rate from 8% to 9%, which will continue for three years. He also expects the market price of this share to be Rs.360 after three years. You are required to determine: (i) The maximum amount Mr. B should pay for shares, if he requires a rate of return of 13% per annum. (ii) The maximum price Mr. B will be willing to pay for share, if he is of the opinion that the 9% growth can be maintained indefinitely and require 13% rate of return per annum. (iii) The price of share at the end of three years, if 9% growth rate is achieved and assuming other conditions remaining same as in (i) above.	15	CO4
Q 19	Investment in Bond provides a fixed income source to investor. You are required to explain the different types of bond available in the market to make investment and also how can the valuation of bond can be done to determine its fair value.	15	CO4
Q 20	An investor purchased 300 units of Mutual Fund at rate of Rs 12.25 per unit on 31st December 2009. As on 31st December 2010 he has received Rs1.25 as dividend and had received a capital gains distribution of Rs1.00 per unit. You are required to find out: a) Holding period return, assuming that this no load fund has a NAV of Rs 13.00 as on 31st December 2010.	15	CO4

	b) Holding period return, assuming all the dividends and capital gains distributions are reinvested into additional units as at average price of Rs12.50 per unit.		
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