

Online Examinations (Even Sem/Part-I/Part-II Examinations 2020 - 2021)

Course Name - –Business Analysis and Valuation

Course Code - BBA604F

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Answer all the questions. Each question carry one mark.

9. 1. Which of the following industry factors does not affect the nature of rivalry among existing firms in the industry

Mark only one oval.

- Ratio of fixed to variable costs
- Concentration of competitors
- First mover advantage
- Industry growth

10. 2. Which of the following industry factors does not affect the threat of new firms entering the industry?

Mark only one oval.

- Ratio of fixed to variable costs
- Price sensitivity of buyers
- First mover advantage
- legal barriers

11. 3. Economic theory indicates that the optimal corporate strategy and structure minimizes the firm's

Mark only one oval.

- Production costs
- Service costs
- Transaction costs
- Book value of assets

12. 4. Which of the following items is not a required component of Indian public firms' financial statements?

Mark only one oval.

- A comprehensive income statement
- An income statement
- Fund flow statement
- A cash flow statement

13. 5. Static analysis will mean

Mark only one oval.

- Horizontal analysis
- Comparative analysis
- Vertical analysis
- Trend analysis

14. 6. Financial statement analysis includes

Mark only one oval.

- representation
- comparison
- interpretation
- All of these

15. 7. When the concept of ratio is defined in respected to the items shown in the financial statements, it is termed as

Mark only one oval.

- Costing ratio
- Financial ratio
- Accounting ratio
- None of these

16. 8. Identify from the following statements that are true in ratio analysis (a) Ratio analysis is useful in financial analysis (b) Ratio analysis is helpful in communication and coordination (c) Ratio Analysis is not helpful in identifying weak spots of the business (d) Ratio Analysis is helpful in financial planning and forecasting

Mark only one oval.

- a, b and c
- a, b and d
- a, c and d
- a, b , c and d

17. 9. Limitations of Ratio analysis includes: A) Ratio analysis may result in false results if variations in price levels are not considered B) Ratio analysis ignores qualitative factors C) Ratio Analysis ignores quantitative factors Ratio Analysis is historical analysis

Mark only one oval.

- A, B and C
- A,B and D
- A, C and D
- None of these

18. 10. Profitability ratio includes A) General profitability ratio B) Overall profitability ratio C) Comprehensive profitability ratio

Mark only one oval.

- A and B
- A and C
- B and C
- None of these

19. 11. Calculation of gross profit is possible when

Mark only one oval.

- Closing stock is ignored
- Closing stock is added to cost of goods sold
- Closing stock is deducted from cost of goods sold
- None of these

20. 12. Gross profit ratio is calculated by

Mark only one oval.

- $(\text{Gross Profit}/\text{Gross sales}) \times 100$
- $(\text{Net Profit}/\text{Gross sales}) \times 100$
- $(\text{Gross Profit}/\text{Net sales}) \times 100$
- None of these

21. 13. Return on equity is defined as-

Mark only one oval.

- Varies depending on what day of the week it is
- $(\text{Net profit}/\text{total equity}) \times 100$
- $(\text{Net profit after interest \& tax}/\text{shareholder's fund}) \times 100$
- $(\text{Net profit}/\text{Capital employed}) \times 100$

22. 14. If operating ratio is 79%, then net profit ratio will be-

Mark only one oval.

- 0.7
- 0.15
- 0.21
- None of these

23. 15. At the end of 2013, ABC Company had 480 million shares of common stock outstanding, and the share price was Rs.13. In 2013, the unadjusted net profit was Rs.160 million and the company's income tax rate was 25%. The company had a one-time pre-tax restructuring loss of Rs.30 million. After normalizing for non-operating items, the company's P/E multiple should be

Mark only one oval.

- 31.6
- 32.8
- 34.2
- 45.4

24. 16. The _____ is a common term for the market consensus value of the required return on a stock

Mark only one oval.

- Dividend payout ratio
- Intrinsic value
- Market capitalization rate
- None of these

25. 17. The _____ is the fraction of earnings reinvested in the firm

Mark only one oval.

- Dividend pay out ratio
- Retention rate
- Retention and plough back ratio
- Plow back ratio

26. 18. Gordon model of valuation of stock assumes

Mark only one oval.

- G greater than K
- G less than K
- g equal to k
- All of these

27. 19. Think Tank Company has an accepted ROE of 26%. If the firms policy of plough back is 90% of the earning, then dividend growth rate will be

Mark only one oval.

- 2.6 percent
- 10 percent
- 23.4 percent
- 90 percent

28. 20. Which of the following activities can increase cash flow from investing activities?

Mark only one oval.

- varies depending on what day Selling products and receiving cash of the week it is
- Selling products and receiving cash
- Selling an office building and receiving cash
- Paying out cash dividends

29. 21. ABC Company has a debt-to-equity ratio of 25% and a marginal tax rate of 25%. The average unlevered β of comparable companies is 1.1. The levered β of the company should be

Mark only one oval.

- 0.89
- 1.16
- 1.27
- 1.31

30. 22. -----is equal to the total market value of the firm's common stock divided by (the replacement cost of the firm's assets less liabilities).

Mark only one oval.

- Book value per share
- Liquidation value per share
- Tobin's Q
- Market value per share

31. 23. _____ is equal to (common shareholders' equity/common shares outstanding).

Mark only one oval.

- Book value per share
- Market value per share
- Liquidation value
- Tobin's Q

32. 24. _____ are analysts who use information concerning current and prospective profitability of a firm to assess the firm's fair market value

Mark only one oval.

- Credit analysis
- Fundamental analysis
- Systems analysis
- Technical analysis

33. 25. The _____ is defined as the present value of all cash proceeds to the investor in the stock

Mark only one oval.

- Intrinsic value
- Capitalization rate
- Dividend payout ratio
- Plowback ratio

34. 26. _____ is the amount of money per common share that could be realized by breaking up the firm, selling the assets, repaying the debt, and distributing the remainder to shareholders

Mark only one oval.

- Book value per share
- Market value per share
- Liquidation value per share
- Tobin's Q

35. 27. Since 1955, Treasury bond yields and earnings yields on stocks were _____.

Mark only one oval.

- Identical
- Negatively correlated
- Positively correlated
- Unrelated

36. 28. You wish to earn a return of 10% on each of two stocks, C and D. Each of the stocks is expected to pay a dividend of \$2 in the upcoming year. The expected growth rate of dividends is 9% for stock C and 10% for stock D. The intrinsic value of stock C

Mark only one oval.

- will be greater than the intrinsic value of stock D
- will be the same as the intrinsic value of stock D
- will be less than the intrinsic value of stock D
- will be greater than the intrinsic value of stock D or will be the same as the intrinsic value of stock D

37. 29. You wish to earn a return of 12% on each of two stocks, A and B. Each of the stocks is expected to pay a dividend of \$2 in the upcoming year. The expected growth rate of dividends is 9% for stock A and 10% for stock B. The intrinsic value of stock A

Mark only one oval.

- will be greater than the intrinsic value of stock B
- will be the same as the intrinsic value of stock B
- will be less than the intrinsic value of stock B
- will be greater than the intrinsic value of stock B or will be the same as the intrinsic value of stock B

38. 30. Each of two stocks, C and D, are expected to pay a dividend of \$3 in the upcoming year. The expected growth rate of dividends is 9% for both stocks. You require a rate of return of 10% on stock C and a return of 13% on stock D. The intrinsic value of stock C ____.

Mark only one oval.

- cannot be calculated without knowing the market rate of return
- will be the same as the intrinsic value of stock D
- will be less than the intrinsic value of stock D
- will be greater than the intrinsic value of stock D

39. 31. If the expected ROE on reinvested earnings is equal to k , the multistage DDM reduces to

Mark only one oval.

- $V_0 = (\text{Expected Dividend Per Share in Year 1})/k$
- $V_0 = (\text{Treasury Bond Yield in Year 1})/k$
- $V_0 = (\text{Expected EPS in Year 1})/k$
- $V_0 = (\text{Market return in Year 1})/k$

40. 32. Low Tech Company has an expected ROE of 10%. The dividend growth rate will be _____ if the firm follows a policy of paying 40% of earnings in the form of dividends

Mark only one oval.

- 3.0 percent
- 4.8 percent
- 6.0 percent
- 7.2 percent

41. 33. Medtronic Company has an expected ROE of 16%. The dividend growth rate will be _____ if the firm follows a policy of paying 70% of earnings in the form of dividends.

Mark only one oval.

- 3.0 percent
- 4.9 percent
- 6.0 percent
- None of these

42. 34. Sure tool Company is expected to pay a dividend of Rs.2 in the upcoming year. The risk-free rate of return is 4%; and the expected return on the market portfolio is 14%. Analysts expect the price of Sure tool Company shares to be Rs.22 a year from now. The beta of Sure tool Company's stock is 1.25. The market required rate of Sure stock is-

Mark only one oval.

- 14 percent
- 15.25 percent
- 16.5 percent
- 17.5 percent

43. 35. S Ltd is expected to pay a dividend of Rs.2 in the upcoming year. The risk-free rate of return is 4%; and the expected return on the market portfolio is 14%. Analysts expect the price of S to be Rs.22 a year from now. The beta of S stock is 1.25. Intrinsic value of stock is-

Mark only one oval.

- Rs.12.12
- Rs.20.00
- Rs.20.60
- Rs.22.00

44. 36. Q Ltd. is expected to pay a dividend of Rs.2 in the upcoming year. The risk-free rate of return is 4%; and the expected return on the market portfolio is 14%. Analysts expect the price of Q shares to be Rs.22 a year from now. The beta of Q stock is 1.25. If intrinsic value of Q is Rs21 today, the growth rate is-

Mark only one oval.

- 0
- 0.1
- 0.04
- 0.070000000000000001

45. 37. Last year's dividend of a company is Rs.1.75. Expected ROE for next year is 14.5%. An appropriate required rate of return is 10%. Plow back ratio of the company is 70%. The dividend of the coming year is-

Mark only one oval.

- Rs.1.77
- Rs.1.80
- Rs.1.94
- Rs.2.12

46. 38. Average P/E multiple of oil industry is 20. An oil is expected to have an EPS of Rs.3.00 in the coming year. Intrinsic value of its share will be

Mark only one oval.

- Rs.28.12
- Rs.35.55
- Rs.60.00
- Rs.72.00

47. 39. Suppose P/E multiple of an industry is 16. A company belonging to that industry has EPS of Rs.4.50 in the coming year. Intrinsic value of its share is-

Mark only one oval.

- Rs.28.12
- Rs.35.55
- Rs.63.00
- Rs.72.00

48. 40. Intrinsic value of a stock is found to be Rs.34 under earning capitalization model. Typical P/E ratio of the industry is 27. Then expected EPS of the company is-

Mark only one oval.

- Rs.1.26
- Rs.3.63
- Rs.4.44
- Rs.14.40

49. 41. A company is expected to pay a dividend of Rs.3.50. in the coming year. It is expected to grow at 10% per year. Risk free rate is 5%. and expected return on market portfolio is 13%. Share is trading today at Rs.90. Here market capitalization rate is

Mark only one oval.

- 0.136
- 0.139
- 0.156
- 0.169

50. 42. Market capitalization rate is 12%.Expected ROE is 13%. Expected EPS is Rs.3.60. plow back ratio is 50%. P/E ratio is-

Mark only one oval.

- 7.69
- 8.33
- 9.09
- 11.11

51. 43. A bicycle Company is expected to pay a dividend in year 1 of Rs.1.20" Dividend in year 2 is Rs.1.50 and dividend in year 3 is Rs.2.00. After 3 years, dividends is expected to grow at the rate of 10% per year. An appropriate required return on the stock is 14%. The stock should be worth today

Mark only one oval.

- Rs.33.00
- Rs.39.86
- Rs.40.68
- Rs.55.00

52. 44. Other things being equal, a lowwould be most consistent with a relatively high growth rate of firm earnings and dividends

Mark only one oval.

- Variability of earnings
- Degree of financial ratio
- Dividend pay-out ratio
- Inflation

53. 45. The following reasons are good motives for mergers except (i) economies of scale (ii) complementary resources (iii) diversification (iv) eliminating inefficiency

Mark only one oval.

- i
- ii
- iii
- iv

54. 46. The acquisition of a firm in the same industry as the bidder is called a _____ acquisition

Mark only one oval.

- Vertical
- Horizontal
- Conglomerate
- Take over

55. 47. A public offer by one firm to directly buy the shares of another firm is called a

Mark only one oval.

- Divestiture
 Merger
 Tender offer
 Consolidation

56. 48. The complete absorption of one company by another, wherein the acquiring firm retains its identity and the acquired firm ceases to exist as a separate entity, is called a

Mark only one oval.

- Divestiture
 Consolidation
 Merger
 Spin off

57. 49. A project requires an investment of Rs.10 lakhs and its estimated Net Present Value (PV) is Rs.16 lakhs. What is its profitability index?

Mark only one oval.

- 1
 1.6
 2.6
 None of these

58. 50. X, Y, and Z are partners in a company sharing profits in the ratio 4:3: 2. Their balance sheet as at 31-3-2016 showed a debit balance of Profit and Loss A/c Rs.80,000. From 1-4-2016 they will share profits equally. In the journal entry to give effect to the above arrangement when X, Y, and Z decide not to close the profit and loss account

Mark only one oval.

- Dr X by Rs.20,000, Cr Z by Rs.20,000
- Cr X by Rs.20,000, Dr Z by Rs.20,000
- Dr X by Rs.40,000, Cr Z by Rs.40,000
- Cr X by Rs. 20,000, Dr Z by Rs.20,000

59. 51. The total capital employed in the company is Rs.8,00,000 a reasonable rate of return is 15% and the profit of the year is 412,00,000. The value of goodwill of the company as per the capitalization method will be

Mark only one oval.

- Rs.12,00,000
- Rs.42,00,000
- Rs.72,00,000
- Rs.82,00,000

60. 52. Weighted average method of calculating goodwill is used when

Mark only one oval.

- Profits are not equal
- Profits are Fluctuating
- Profits show a trend
- None of these

61. 53. The excess amount which the firm can get on selling its assets over and above the saleable value of its assets is called

Mark only one oval.

- Surplus
- Super profit
- Reserve
- Goodwill

62. 54. Break even indicates

Mark only one oval.

- Revenue more than cost
- Revenue less than cost
- revenue equal to cost
- None of these

63. 55. Goodwill is defined as-

Mark only one oval.

- Current asset
- Factitious asset
- Intangible asset
- Liquid asset

64. 56. A valuation approach in which an indication of value of the property is provided by its income is called:

Mark only one oval.

- Profit approach
- Residual approach
- Income approach
- Cost approach

65. 57. Which one is a method of valuation of income approach

Mark only one oval.

- Rent capitalization method
- Net present value
- Internal rate of return
- All of these

66. 58. Market value of property can be estimated by capitalizing one year's income (usually 1st years income by-----)

Mark only one oval.

- Net present value
- Rent capitalization method
- Internal rate of return method
- All of these

67. 59. The discounting rate at which present value of future cash flow is equals is known as-----

Mark only one oval.

- Internal rate of return
- Correct discounting rate
- Equalizing rate
- None of these

68. 60. Rate of capitalization is selected by

Mark only one oval.

- Yield of gilt aged securities
- Interest paid by bank on term deposits
- Analyzing sales transactions in the area
- All of these

69. 61. A residential property is yielding a net annual income of Rs.90,000.00. If the rate of return on similar properties in the area is 4 % p.a. what is the the market value of the property?

Mark only one oval.

- Rs.22,50,000
- Rs.25,00,000
- Rs.30,00,000
- None of these

70. 62. Economic life of an asset will mean-

Mark only one oval.

- Life during which asset will not require repair
- Number of years an asset is likely to remain in service for the purpose of cost effective revenue generation
- Profitable life
- None of these

71. 63. Net annual income means

Mark only one oval.

- Gross annual income less income tax
- Gross annual income less annual outgoings
- Gross annual income less cost of annual repair
- Gross annual income less property tax

72. 64. Which of the following is not included in annual outgoings?

Mark only one oval.

- Municipal tax
- Annual repairs and maintenance
- Individual electricity bills
- Insurance

73. 65. Diverging interest curve and curves of economic indices indicate

Mark only one oval.

- Boom period of the economy
- Normal period of the economy
- Recession period of the economy
- None of these

74. 66. Rate of interest yielded by immovable properties is an important parameter by Real Estate Valuer. Identify its reasons from the followings

Mark only one oval.

- It is an important criteria for investor
- It varies very widely
- It is a universal criterion for comparison of immovable property
- All of these

75. 67. Economic boom period is characterized by

Mark only one oval.

- Increased Demand
- Increased sale
- Increased productivity
- All of these

76. 68. Explain how Market value of a property occupied by protected tenant is measured by income approach?

Mark only one oval.

- By adopting interest rate derived by analyzing recent sales transactions of similar rent controlled properties in the locality
- Income approach will give highly inflated value. So it is not suitable
- Income approach will give very low value. Hence not suitable
- None of these

77. 69. What is meant by reversionary values?

Mark only one oval.

- Value of the lessors interest when it reverts back to the lessor after termination of terms of the lease
- Value of the property to lessor
- Value of the property to lessee
- None of these

78. 70. Market value of lessee interest is estimated from-

Mark only one oval.

- Rental income from property is capitalized
- Rental income for unexpired period of rent is capitalized
- Profit rent from the property is capitalized by using dual rate Y.P
- Profit rent from the property is capitalized by using single rate Y.P

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