



BRAINWARE UNIVERSITY

Term End Examination 2021 - 22

Programme – Master of Business Administration

Course Name – Valuation (Securities and Firms)

Course Code - FM303

(Semester III)

Time : 1 Hr.15 Min.

Full Marks : 60

[The figure in the margin indicates full marks.]

Group-A

(Multiple Choice Type Question)

1 x 60=60

Choose the correct alternative from the following :

- (1) A machine is used to produce goods of Rs.100,000. Here value of the asset is-
 - a) Value in use
 - b) value in exchange
 - c) value in store
 - d) situational value
- (2) The dividend discount model
 - a) Ignores Capital Gain
 - b) Incorporates after tax value of capital Gain
 - c) Includes Capital gains implicitly
 - d) Restricts Capital gains to minimum
- (3) The dividend growth rate is referred to as the
 - a) Dividend yield
 - b) Discount rate
 - c) Market rate
 - d) Capital gains yield
- (4) A preferred stock will pay a dividend of Rs. 3.00 in the upcoming year, and every year thereafter, for three year. You require a return of 9% on this stock. Use the constant growth model to calculate the intrinsic value of this preferred stock?
 - a) Rs.33.33
 - b) Rs.10.27
 - c) Rs.31.82
 - d) Rs. 7.59
- (5) What is difference between shares and bonds?
 - a) Bond represents ownership but share cannot do it
 - b) Share represents ownership where Bond do not.
 - c) Shares and Bond both have ownership
 - d) Shares and Bond both represent liabilities
- (6) The _____ is defined as the present value of all cash proceeds to the investor in the stock?
 - a) Intrinsic value
 - b) Dividend payout ratio
 - c) Market capitalization rate
 - d) Plough back ratio

- (7) Normal profit is _____
- a) average profit earned
b) profit earned by similar companies in the same industry
c) average profit earned and profit earned by similar companies in the same industry
d) none of these
- (8) Goodwill as per purchase or super profit method is equal to ____
- a) Super Profit
b) Super Profit \times Amount of purchase
c) Super Profit \times Number of year's purchases
d) None of these
- (9) Under capitalization of super profit method, Goodwill is equal to ____
- a) Capitalized value of super profit at NRR
b) Capitalized value of maintained profit
c) Capitalized value of super profit at NRR and Capitalized value of maintained profit
d) None of these
- (10) Rate of interest is 11% and the rate of risk is 9%. The normal rate of return is ____
- a) 0.11
b) 0.09
c) 0.2
d) 0.02
- (11) Capital employed at the beginning of the year is Rs. 520,000 and the profit earned during the year is RS.60,000. Average capital employed during the year is _____
- a) Rs.5,50,000
b) Rs.5,20,000
c) Rs.5,80,000
d) Rs.4,60,000
- (12) Capital employed is Rs.50,000. Trading Profit amounted to Rs.12200, Rs.15000 and Rs. 2,000 loss for 2008, 2009 and 2010 respectively. Rate of interest is 8% and the rate of risk is 2%. Remuneration from alternative employment of the proprietor is ` 3,600 p.a. Amount of Goodwill at 3 years' purchase of Super Profit is _____
- a) Rs.8000
b) Rs.8800
c) Rs.8850
d) Rs.9500
- (13) Under net asset method, value of a share depends on _____.
- a) net assets available to equity shareholders
b) net assets available to debentures holders
c) net assets available to preference shareholders
d) none of these
- (14) F.M.P. for yield valuation is _____.
- a) future profit
b) profit that would be available to equity shareholders
c) past profit
d) none of these
- (15) Yield value is based on the assumption that _____.
- a) the company is a going concern
b) the company will be liquidated
c) the company is sick
d) none of these
- (16) Fair value of a share is equal to _____.
- a) intrinsic value only
b) yield value only
c) average of intrinsic and yield value
d) none of these
- (17) Gross assets are ` 1,01,000, fictitious assets ` 350 are included in the gross assets. External liabilities are ` 7,500. 6% preference share capital is ` 45,000. Equity capital is 4,500 equity shares of ` 10 each fully paid. Average expected profit is ` 8,500. Transfer to reserves is 10% preference dividend is payable. NRR is 9%. The Net Asset Value Per share is _____.
- a) 11
b) 10.7

- c) 15
d) 20
- (18) Average capital employed ` 14,00,000. Net profit 2011 2,50,000 2012 1,00,000 (loss) 2013 4,50,000 NRR 10% Goodwill at 3 years' purchase of super profit will be
a) 1,80,000
b) 1,50,000
c) 1,20,000
d) 90000
- (19) Which one of the following best describes liquidation value?
a) The price of a security "ought to have" based on all factors bearing the value
b) The amount of a firm could be realized if an asset or a group of assets is sold separately from its operating organization
c) The amount of a firm could be sold for as a continuing operating business
d) The market price at which an asset trades
- (20) A share is expecting to maintain its current earning level indefinitely (earning is Rs.4 per share). Investors expects to earn 10% on this investment firm is expected to retain on only 10% of its earnings. What is the intrinsic value of a share?
a) Rs.4
b) Rs.36
c) Rs.40
d) Not possible to calculate
- (21) What is earning multiplier for a firm that is expected to grow annually 15%, retain 20%, and require a 20% rate of return for investors
a) 16
b) 4
c) 5.33
d) 1.33
- (22) Debt equity ratio is 3:1. Amount of total assets are Rs.20 lakhs. Current ratio is 1.5:1. Owners fund Rs.3 lakhs. Calculate amount of current asset
a) 12 lakhs
b) 16 lakhs
c) 18 lakhs
d) 20 lakhs
- (23) A person not given a flat by a real estate builder even though full consideration of the building has been paid is known as-
a) Financial creditor
b) Operational creditor
c) Corporate Debtors
d) Employee
- (24) Interest paid on hire purchase and purchase of machinery by a company are treated as
a) Operational and Financial cash flow
b) Financial cash flow and operational cash flow
c) Financial cash flow and investing cash flow
d) Operational cash flow and investing cash flow
- (25) When Bonus shares are issued by the company, debt equity ratio
a) Deteriorates
b) Increases
c) Remains the same
d) Cannot be said
- (26) Confidential matter in a valuation reports
a) Has to be reported in a separate Annexure and not in main report
b) Has to be reported in the main report
c) Need not be reported at all
d) At the discretion of valuer
- (27) Promise issued by a Bank on behalf of buyer to honour payment in case of default by buyer is known as-
a) Bank Guarantee
b) Letter of credit
c) Letter of debit
d) Deferred payment Guarantee
- (28) A mortgaged a property of Rs.10,000 to B at Rs.5,000. A later sold the property to B.

- Here stamp duty is payable on the value of
- a) Rs.10000
b) Rs.5000
c) Rs.15000
d) No stamp duty is payable
- (29) The main function of management information system (MIS) in an organization is to help
- a) decision making process
b) to enhance profit
c) to acquire new firm
d) Mergers
- (30) Value of a firm is usually based on _____.
- a) the value of debt and equity
b) the value of assets and liabilities
c) the value of debt
d) the value of equity
- (31) An asset is officially appraised and priced on _____
- a) verification date
b) Valuation date
c) report date
d) effective date
- (32) When an investor uses a derivative instrument to reduce his exposure to the price volatility of certain underlying assets, he is said to be _____
- a) speculating
b) squaring
c) hedging
d) arbitraging
- (33) Typical parameters used in quantitative methods to estimate discount for lack of market ability include _____.
- a) duration of the restriction and risk of the investment
b) return of the investment
c) dividends paid
d) market size
- (34) A good definition of market value would be the
- a) Price paid by the owner
b) Present worth of future benefits
c) Assessed valuation
d) Price offered by a prospective buyer
- (35) A seller agreed to sell a home with no down payment and the below market rate seller financing. The favorable financing could be expected to affect the
- a) Price but not the value of the property
b) Value of the property but not the price
c) Utility of the property
d) Depreciation method
- (36) An appraisal of property is the
- a) Supported estimate of value
b) Utility value
c) Selling price
d) Cost plus improvements less depreciation
- (37) An appraiser in using the expression a "willing, informed buyer and a willing informed seller," is referencing
- a) Progression
b) Supply and demand
c) The principle of highest and best use
d) Market value
- (38) An appraiser sets a replacement cost of a structure at \$120,000 and appraises the land value separately at \$80,000. The appraiser places an economic life on the structure at 50 years and states that it has an effective age of 10 years. Using the cost approach, the appraiser would appraise this property at
- a) 140000
b) 160000
c) 176000
d) 200000
- (39) An appraiser would need to determine accrued depreciation when using the:
- a) Gross rent multiplier method
b) Cost approach

- c) Income approach
d) Sales comparison approach
- (40) An investor making extraordinary profits from the first mini warehouse in the area would be concerned with the principal of
- a) Substitution
 - b) Competition
 - c) Surplus productivity
 - d) Conformity
- (41) In appraising a home for a lender who wishes to make a purchase loan, the appraiser would be concerned with
- a) The amount of the loan requested
 - b) Unpaid special assessments
 - c) The price the seller has agreed to pay
 - d) Economic changes in the arena
- (42) For given change in interest rate, percentage change in present value of bond is classified as-
- a) price sensitivity
 - b) yield sensitivity
 - c) maturity sensitivity
 - d) premium sensitivity
- (43) Type of bond whose present value is less than that of its face value is classified as
- a) discount bond
 - b) premium bond
 - c) coupon bond
 - d) interest bond
- (44) For an investment weighted average time to maturity is considered as
- a) premium time
 - b) standard time
 - c) mean time
 - d) duration
- (45) Interest rate that financial investor receives on financial security is known as to calculate fair value of security is classified as
- a) forward rate of return
 - b) unturned rate of return
 - c) required rate of return
 - d) termed rate of return
- (46) Change in interest rate measured in percentage for a given interest rate change is classified as-
- a) premium yield
 - b) elasticity
 - c) duration
 - d) yield to maturity
- (47) Type of bond for which bonds present value is greater than bonds face value is classified as-
- a) coupon bond
 - b) interest bond
 - c) discount bond
 - d) premium bond
- (48) Historical buy price of asset is stated as-
- a) Fair Value
 - b) Intrinsic value
 - c) Investment value
 - d) Synergistic value
- (49) Value fixed by interaction between buyers and sellers is known as-
- a) fair value
 - b) intrinsic value
 - c) investment value
 - d) Synergistic value
- (50) Value realizable if the asset is sold now is known as-
- a) synergistic value
 - b) legal value
 - c) market value
 - d) intrinsic value
- (51) When going concern fails the valuation is made on the basis of
- a) book value
 - b) notional value
 - c) real value
 - d) liquidation value

- (52) Who is the authority for registration of valuers under the Companies (Registered Valuers and Valuation) Rules, 2017?
- a) MCA
b) NFRA
c) IBBI
d) NCLT
- (53) 'Economies of Scale' arises from _____ synergy in Merger and Acquisitions
- a) operating
b) financial
c) managerial
d) market
- (54) Which of the following represent the three major categories of risks faced by a business organisation?
- a) Business risks, personnel risks, budget risks
b) Project risks, technical risks, business risks
c) Planning risks, technical risks, personnel risks
d) Management risks, technical risks, design risks
- (55) Agency bonds are issued by _____.
- a) local governments
b) national governments
c) quasi-government entities
d) corporates
- (56) Which of the following bonds has the shortest duration
- a) A bond with 20-year maturity, 10% coupon rate
b) A bond with 20-year maturity, 6% coupon rate
c) A bond with 10-year maturity, 6% coupon rate
d) A bond with 10-year maturity, 10% coupon rate
- (57) _____ is the risk that an issuer will fail to satisfy the terms of the agreement with respect to the timely payment of interest and principal.
- a) Default risk
b) Credit spread risk
c) Volatility risk
d) Downgrade risk
- (58) A perpetual bond does not have a fixed _____.
- a) interest rate
b) maturity period
c) duration
d) underlying asset
- (59) Shareholders wealth increases with the increase in _____
- a) EPS
b) Market value of the firm
c) Dividend & market value of the firm
d) Market price of the equity share
- (60) Promotion of welfare of human by corporate is called as _____
- a) Social service
b) Philosophy
c) NGO work
d) Corporate philanthropy