18029

BRAINWARE UNIVERSITY

Term End Examination 2025-2026
Programme – MBA-2024
Course Name – Valuation of Securities and Firms
Course Code - MBA30203B
(Semester III)

Full Marks : 60 **Time : 2:30 Hours**

[The figure in the margin indicates full marks. Candidates are required to give their answers in their own words as far as practicable.]

Group-A

(Multiple Choice Type Question) 1 x 15=15

1. *Choose the correct alternative from the following :*

(i) Select the security that typically carries the highest claim on a firm's assets in liquidation.
a) Common equity b) Subordinated debenture
c) Senior secured debt d) Preferred stock

(ii) Select the instrument that combines features of both debt and equity.
a) Commercial paper b) Convertible debenture
c) Trade credit d) Treasury bill

(iii) Select the premium that reflects the extra value paid for synergies and control.
a) Liquidity discount b) Minority discount
c) Control premium d) Blockage discount

(iv) Select the security that provides a fixed dividend but ranks below debt in priority.
a) Preferred equity b) Senior note
c) Option warrant d) Subordinated loan

(v) Select the premium that compensates investors for delayed exit opportunities.
a) Marketability discount b) Control premium
c) Size premium d) Survivorship bias

(vi) Select the best definition of time value of money.
a) Money loses value over time b) Money's value remains constant
c) A rupee today is worth more than a rupee in the future d) Interest rates do not affect value

(vii) Select the formula used to compute present value.
a) PV = FV × (1 + r)^n b) PV = FV / (1 + r)^n
c) PV = FV × r × n d) PV = FV + (r × n)

(viii) Select which factor increases the future value of an investment.
a) Lower interest rate b) Shorter time period
c) Decreased principal d) Higher compounding frequency

(ix) Select the amount to be invested today to get ₹20,000 after 4 years at 8% interest.

a) 14700 b) 16000
c) 15000 d) 18000

(x) Select the effective annual rate for a nominal rate of 12% compounded quarterly.

a) 0.1255 b) 0.13
c) 0.12 d) 0.1275

(xi) Select the value of a convertible preferred share paying ₹6 annually and convertible into cash worth ₹120 in 4 years; required return = 8 %.

a) 100 b) 105
c) 108.1 d) 110

(xii) Select the intrinsic value of a warrant with a ₹50 exercise price when the share trades at ₹65.

a) 10 b) 15
c) 20 d) 5

(xiii) Select the component of WACC most affected by business risk.

a) Equity cost b) Debt cost
c) Tax rate d) Risk-free rate

(xiv) Select the main focus of fundamental analysis.

a) Stock charts b) Company earnings
c) Moving averages d) Candlesticks

(xv) Estimate which chart is used in technical analysis.

a) Pie chart b) Bar chart
c) Candlestick chart d) Flowchart

Group-B

(Short Answer Type Questions) 3 x 5=15

2. Explain what is meant by a security in the context of business valuation. (3)
3. Differentiate callable and puttable bonds with respect to investor and issuer advantages. (3)
4. Examine the valuation of rights issues for existing shareholders. (3)
5. Evaluate why TVM is critical in business valuation. (3)
6. Evaluate the importance of compounding frequency. (3)

OR

Evaluate the limitations of TVM models in practical valuation. (3)

Group-C

(Long Answer Type Questions) 5 x 6=30

7. Describe how to compute the future value of a one-time investment in a valuation scenario. (5)
8. Examine the computation of net present value (NPV) using time value principles. (5)
9. Explain the Dividend Discount Model (DDM) used for equity valuation. (5)
10. Evaluate how interest rate fluctuations impact bond valuation. (5)
11. Distinguish between fixed and floating rate bonds in terms of valuation. (5)
12. Explain what is meant by risk in the context of business valuation and why it must be considered. (5)

OR

Explain how the price-to-earnings (P/E) ratio is interpreted in fundamental valuation. (5)

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