VIRTUAL UNIVERSITY OF PAKISTAN

MID TERM
PAST PAPER

MADE AND SOLVED BY HADI

WARNING: Team HADI is not responsible for any mistake or wrong answer. All students reading and using this document may check and confirm the answers at their own.

Best of luck!

PAST PAPER

Question No : 1 of 27 Marks: 1 (Budgeted Time 1 Min)

Who determines the market price of a share of common stock?

Answer (Please select your correct option)

- The board of directors of the firm
- The stock exchange on which the stock is listed
- The president of the company
- Individuals buying and selling the stock

Question No : 2 of 27 Marks: 1 (Budgeted Time 1 Min)

In finance we refer to the market where existing securities are bought and sold as the __________ market.

Answer (Please select your correct option)

- Money
- Capital
- Primary
- Secondary

Question No : 3 of 27 Marks: 1 (Budgeted Time 1 Min)

ABC's and XYZ's debt-to-total assets ratio is 0.4. What is its debt-to-equity ratio?

Answer (Please select your correct option)

- 0.77
- 0.667
- 0.333
- 0.2

Question No : 4 of 27 Marks: 1 (Budgeted Time 1 Min)

The basic capital budgeting principles involved in determining relevant after-tax incremental operating cash flows require us to ___________.

Answer (Please select your correct option)

- Include sunk costs, but ignore opportunity costs
- Include opportunity costs, but ignore sunk costs
- Ignore both opportunity costs and sunk costs
- Include both opportunity and sunk costs

Question No : 5 of 27 Marks: 1 (Budgeted Time 1 Min)

A capital budgeting technique through which discount rate equates the present value of the future net cash flows from an investment project with the project's initial cash outflow is known as:

Answer (Please select your correct option)

- Payback period
- Internal rate of return
- Net present value
- Profitability index

Question No : 6 of 27 Marks: 1 (Budgeted Time 1 Min)

What type of long-term financing most likely has the following features: 1) it has an infinite life, 2) it pays dividends, and 3) its cash flows are expected to be a constant annuity stream?

Answer (Please select your correct option)

- Long-term debt
- Preferred stock
- Common stock
- None of the given option

Question No : 7 of 27 **Marks: 1 (Budgeted Time 1 Min)**

Which of the following risk can be diversified away?

Answer (Please select your correct option)

- Un systematic risk
- Beta risk
- Firm specific risk
- Market risk

Question No : 8 of 27 Marks: 1 (Budgeted Time 1 Min)

Which of the following has NO effect when the financial health (cash flows and income) of the company changes with time?

Answer (Please select your correct option)

- Market value
- Price of the share
- Par value
- None of the given options

Correct answer solved by hadi

Question No : 9 of 27

Marks: 1 (Budgeted Time 1 Min)

Which of the following is **NOT** a major cause of systematic risk.

Answer (Please select your correct option)

- A worldwide recession
- A world war
- World energy supply
- Company management change

Question No : 10 of 27 Marks: 1 (Budgeted Time 1 Min)

Which of the following need to be excluded while we calculate the incremental cash flows?

Answer (Please select your correct option)

- Depreciation
- Sunk cost
- Opportunity cost
- Non-cash item

Question No : 11 of 27 Marks: 1 (Budgeted Time 1 Min)

Which of the following is the other name of ordinary annuity?

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Answer (Please select your correct option)

- Compounded annuity
- Time line annuity
- Deferred annuity
- Preferred annuity

Correct answer solved by hadi

Question No : 12 of 27 Marks: 1 (Budgeted Time 1 Min)

About 100% of diversified risk and 50% of total risk can be removed by diversification across how many stocks?

Answer (Please select your correct option)

- 25
- 55
- 50 check it
- 40

Question No : 13 of 27 Marks: 1 (Budgeted Time 1 Min)

Which of the given ratio measures the firm's ability to make contractual interest payments?

Answer (Please select your correct option)

- Debt ratios
- Coverage ratios
- Activity ratios
- Liquidity ratios

Question No : 14 of 27

Marks: 1 (Budgeted Time 1 Min)

Market interest rate < coupon interest rate, it means bond is issued at:

check plz lecture 14

Answer (Please select your correct option)

- premium.
- discount.
- par.
- none of the given option.

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Question No : 15 of 27 Marks: 1 (Budgeted Time 1 Min)

Which bond type is the most price sensitive to the changes in required rate of return?

Answer (Please select your correct option)

- 18 year bond
- 12 year bond
- 15 year bond
- 3 year bond

Question No : 16 of 27 Marks: 1 (Budgeted Time 1 Min)

Which of the following play important role to determine the price of the bond?

Answer (Please select your correct option)

- Required rate of return
- Par value of bond
- All of the given options
- Time period for which bond is issued

Question No : 17 of 27 Marks: 1 (Budgeted Time 1 Min)

Following information is extracted from books of Bin Shafiq Garments; you are required to calculate Earning per share with the help of data given below:

Net Income	Rs. 1 Million
Dividend paid to preferred stockholder	30% of Net Income
Number of common share outstanding	50,000 shares

Answer (Please select your correct option)

- Rs. 6.00
- Rs. 26.00
- Rs. 14.00
- Rs. 20.00

Question No : 18 of 27 Marks: 1 (Budgeted Time 1 Min)

Following information is extracted from books Alpha Corporation.

Market price of common stock	Rs. 50.00
Expected dividend (D_1)	Rs. 2.45/ share
Required Rate of return	7%
Dividend Yield	?

Answer (Please select your correct option)

- 4.9 %
- 9.4 %
- 7.0 %
- Required more information for this

Question No : 19 of 27 Marks: 1 (Budgeted Time 1 Min)

Which of the given investment will be suitable for Ms Ayesha, if she wants to make risk free investment?

check please.... because without investment ....no business

Answer (Please select your correct option)

- Government bonds
- Common stocks of public limited company
- Common stocks of subsidiary of public limited company
- None of the given options

Question No : 20 of 27 Marks: 1 (Budgeted Time 1 Min)

Which of the following statement is not included in a set of financial statements?

check but by concept

Answer (Please select your correct option)

- Balance sheet
- Income & expenses account
- Statement of changes in equity
- Annual report

Question No : 21 of 27 Marks: 1 (Budgeted Time 1 Min)

The process of finding the present value of some future amount is called:

The current value of future cash flows discounted at the appropriate discount rate is called the:
The process of finding the present value of some future amount is often called

Answer (Please select your correct option)

- Discounting ⇦ **HADI**
- Financing
- Lending
- Investing

Question No : 22 of 27 Marks: 1 (Budgeted Time 1 Min)

Which of the following bond type is least price sensitive to the changes in required rate of return?

Answer (Please select your correct option)

- 15 year bond
- 3 year bond
- 18 year bond
- 12 year bond

Question No : 23 of 27 Marks: 3 (Budgeted Time 6 Min)

Want to be a millionaire? No problem! Suppose you are currently 21 years old, and can earn 10 percent on your money. How much must you invest today in order to accumulate Rs. 1 million by the time you reach age 65?

Answer (Please click here to Add Answer)

100%

Normal Arial 12

Question No : 24 of 27 Marks: 3 (Budgeted Time 6 Min)

Why a compnay would raise money through debt rather than equity?

Answer (Please click here to Add Answer)

Normal Arial 12 100%

Question No : 25 of 27 Marks: 3 (Budgeted Time 6 Min)

Required rate of return for common stock and preferred stock is different. What is the reason of this difference?

Answer (Please click here to Add Answer)

Normal Arial 12 100%

Question No : 26 of 27 Marks: 5 (Budgeted Time 10 Min)

Pharmaceutical company's common stock is expected to pay Rs. 10 dividend. This share is selling in market for Rs. 55.50 at the end of one period.

Required:

- What is the value of this stock to an investor who requires 13% rate of return?
- What would you suggest in this case (buying or selling)?

Answer (Please click here to Add Answer)

Normal Arial 12 100%

Question No : 27 of 27 Marks: 5 (Budgeted Time 10 Min)

A security analyst has estimated the following returns on the stocks of 4 large companies:

	Weightage	Expected Returns
Company A	25%	12%
Company B	25%	11.5%
Company C	25%	10%

Answer (Please click here to Add Answer)

Normal Arial 12 100%

Question No : 27 of 27 Marks: 5 (Budgeted Time 10 Min)

Company A	25%	12%
Company B	25%	11.5%
Company C	25%	10%
Company D	25%	9.5%

You are required to calculate the expected return on this portfolio.

Answer (Please click here to Add Answer)

Normal Arial 12 100%