 <b>XLRI Jamshedpur</b> School of Business & Human Resources		<b>PMIR-I [A]</b>	
<b>End Term Examination</b>			
<b>Basic Financial Management</b>			
<b>Weightage</b>	<b>40%</b>	<b>Duration</b>	<b>120 minutes</b>

Name \_\_\_\_\_

Roll No. \_\_\_\_\_

**INSTRUCTIONS**

- 1. Answer all questions.**
- 2. Students cannot use laptop.**
- 3. Students cannot bring their mobiles inside exam room.**
- 4. Open text book exam.**

You are not allowed to borrow book, paper, calculators, etc. Marks in brackets for a section indicate the marks assigned for each question in that section. In case of multiple-choice questions, you are required to tick the appropriate choice (nearest choice) in the question paper.

The complete paper is based on the Business Standard Newspaper dated 14<sup>th</sup> March 2009 (Saturday). It also contains a supplement titled BS Weekend.

Anyone who resorts to unfair practices, as judged by the examiner, the minimum penalty will be zero in this segment of evaluation, while the maximum penalty could be expulsion from the institute. There will be no further warnings.

**SECTION I**

**Questions 1 to 2 are based on E-NDIA! News item in BS Weekend page 1.**

1. Ceteris Paribus<sup>1</sup>, one can conclude from the article that:
  - (a) TCS will be having lower operating margins than the other two large IT firms in India (Infosys and Wipro)
  - (b) TCS will be having a longer operating cycle than the other two large IT firms in India (Infosys and Wipro)**
  - (c) Both (a) and (b)
  - (d) None of the above
2. Ceteris Paribus, one can conclude from the article that:

<sup>1</sup> Ceteris Paribus means “*assuming all else is held constant*”

- (a) TCS will be having lower cost of capital than the other two large IT firms in India (Infosys and Wipro)
- (b) TCS will be having lower cost of equity than the other two large IT firms in India (Infosys and Wipro)
- (c) TCS will be having lower cost of debt than the other two large IT firms in India (Infosys and Wipro)
- (d) None of the above**

**Questions 3 to 4 are based on IN STORE Box News item<sup>2</sup> in BS Weekend page 2.**

3. If were to use Indian Rupees to make purchases then you would agree to which of the following statements:
- (a) Snow Grouse whisky became cheaper today compared to the previous day (i.e., 13-03-2009)**
  - (b) Famous Grouse whisky became cheaper today compared to the previous day (13-03-2009)
  - (c) Both (a) and (b)
  - (d) None of the above
4. Which of the following statements you agree to:
- (a) Your purchasing Snow Grouse whisky would have led to the company doing direct CSR (Corporate social responsibility) activities, ridding the environmental burden.
  - (b) Your purchasing Famous Grouse whisky would have led to the company doing direct CSR (Corporate social responsibility) activities, ridding the environmental burden.
  - (c) Your purchasing Black Grouse whisky would have led to the company doing direct CSR (Corporate social responsibility) activities, ridding the environmental burden.**
  - (d) All of the above
  - (e) None of the above

**Question 5 is based on Woof! It's Vacation Time News item in BS Weekend page 2.**

5. If all people (customers) were to carry pets along on a family holiday then which of the statements you would agree to:
- (a) *Ceteris Paribus*, Four Seasons hotel would be having a negative NPV
  - (b) *Ceteris Paribus*, Four Seasons hotel would be having lower operating margins than other similar hotels**
  - (c) *Ceteris Paribus*, Jet Airways and Indian Airlines would be having lower operating margins than other similar airlines
  - (d) All of the above
  - (e) Both (b) and (c)
  - (f) None of the above

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<sup>2</sup> Contains three headlines – *nurse a grouse*; *good ol' grouse*; and *an eclectic blend*.

**Questions 6 and 7 are based on Cricket's a glam dunk business News item in BS Weekend page 3.**

6. Shilpa Shetty's latest business of medispas would involve:
- (a) Setting up a joint venture with *Kiran Bawa*, of the Bawa group of hotels
  - (b) Shilpa Shetty would invest 50 percent in the business
  - (c) Shilpa Shetty would need to invest more than Rs 7 crores in this new venture
  - (d) All of the above**
  - (e) Both (a) and (b)
  - (f) None of the above
7. Shilpa Shetty's valuation (intrinsic value) would include:
- (a) Her share of the NPV from the purchase of a \$15.4 million stake in the Indian Premier League team Rajasthan Royals
  - (b) Her share of the NPV from the Iosis, a chain of medispas
  - (c) Present value of the discounted future cash flows from her own production house
  - (d) Present value of the discounted future cash flows from her own acting in films, etc.
  - (e) Both (a) and (b)
  - (f) Both (c) and (d)
  - (g) All of the above**
  - (h) None of the above

**Questions 8 and 9 are based on All Four Books featured in BS Weekend page 4.**

8. It is known that purchasing books using credit card would mean payment after 45 days and a service charge of 5% on the complete transaction amount.<sup>3</sup> It is also observed that credit card companies are these days charging 12% service tax on the service charge amount. The cost of ordering all the four books using credit card facility would be:
- (a) Below Rs 3390/-
  - (b) Above Rs 3390 but below Rs 3395
  - (c) Above Rs 3395 but below Rs 3400 (Rs 3397 is the exact answer)**
  - (d) None of the above
9. If 'Corduroy Mansions' by Alexander McCall Smith were available online as an e-book priced at \$23.95 then which of these statements would you agree to:
- (a) *Ceteris Paribus*, the DOL for Cutting the Stone by Abraham Verghese would be lowest
  - (b) *Ceteris Paribus*, the DTL for Corner Shop by Roopa Farooki would be lowest
  - (c) *Ceteris Paribus*, the DFL for Voluntary Madness by Norah Vincent would be highest
  - (d) *Ceteris Paribus*, the DOL for Corduroy Mansions by Alexander McCall Smith would be highest**
  - (e) Can't Say

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<sup>3</sup> Take exchange rate of 1 USD = 51.51 INR

**Questions 10 to 15 are based on Superb Score News item in BS Weekend page 6. Please also read the paragraphs below.**

Turn of events for the good led to Krishna Chaitanya Padharthi quitting the PMIR program mid way and joining a Delhi based mid-sized Company as its CEO (with good pay packet). On 1<sup>st</sup> April 2009, Krishna Chaitanya decided to purchase a Skoda Superb car (for office, meeting dear ones, etc.). The depreciation rate permitted by income tax authorities is 20% written down value basis on the ex-showroom price of the car. Krishna knew that purchase of a car would result in his getting a tax benefit equivalent to 30% of the annual depreciation.<sup>4</sup> The cost of the car included life time road tax. Having a car would have meant hiring a chauffeur at a monthly salary of Rs 6000/- per month. Good chauffeurs are usually given an increment of 10% every year. Purchase of the car would have also led to payment of insurance every year. The insurance rates for the first five years can be taken as 3%, 2.5%, 2%, 1.5%, and 1% of the ex-showroom price of car respectively. Krishna decided to make his computations based on the assumption of owning the car for five years and then disposing off. Five years hence Krishna assumed the car to be sold at a price equal to the remaining book value of the car. Being city conditions, Krishna assumed his petrol car to give a mileage equal to the conservative estimates mentioned in the news article. Petrol price was assumed as Rs 50/- for all the five years. Krishna estimated the car to be run for 50 Kms every day and also to be used for 300 days in a year.

The other alternative available to Krishna was to hire a luxury car every day. Discussions with the travel agencies revealed a cost for a one year contract to have a daily rent of Rs 1,335/- (including all charges and taxes, etc.) and an additional cost of Rs 10/- per Kilometer travelled. Inflation related costs meant a yearly increment in these charges (total) at 5% per annum.

10. The depreciation related tax shield for the four year would be equal to

- (a) Above Rs 56,500/- (Rs 56,832/- to be specific)**
- (b) Above Rs 46,000/- and below Rs 56,500/-
- (c) Above Rs 37,000/- and below Rs 46,000/-
- (d) None of the above

11. The terminal value (sale price at the end of fifth year) works out to be

- (a) Above Rs 7,00,000/-
- (b) Above Rs 6,40,000/- and below Rs 7,00,000/-
- (c) Above Rs 6,00,000/- and below Rs 6,40,000/- (Rs 6,06,208/- to be specific)**
- (d) None of the above

12. On purchasing the car, the operating cost per kilometer travelled in the first year and fifth year works out to be (please ignore the depreciation related tax shield)

- (a) Approximately Rs 15.6 in first year and Rs 15.4 in fifth year**
- (b) Approximately Rs 7.1 in first year and fifth year
- (c) Approximately Rs 15.4 in first year and Rs 15.6 in fifth year
- (d) Approximately Rs 16.3 in first year and Rs 14.8 in fifth year
- (e) Approximately Rs 14.8 in first year and Rs 16.3 in fifth year

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<sup>4</sup> For example, if the first years depreciation on car was Rs 3,70,000/- then Krishna Chaitanya's would gain a benefit of Rs 1,11,000/-.

- (f) None of the above
13. On renting the car, the operating cost per kilometer travelled in the first year and fifth year works out to be (please ignore the depreciation related tax shield)
- (a) Approximately Rs 36.7 in first year and Rs 44.6 in fifth year**
- (b) Approximately Rs 44.6 in first year and Rs 15.6 in fifth year
- (c) Approximately Rs 38.5 in first year and Rs 42.5 in fifth year
- (d) Approximately Rs 42.5 in first year and Rs 38.5 in fifth year
- (e) None of the above
14. The purchase option in comparison to the renting option gives Krishna a IRR of
- (a) Below 12%
- (b) Approximately 14%**
- (c) Approximately 16%
- (d) Above 17%
- (e) None of the above
15. If Krishna had a expected rate of return of 10% then the purchase option would have resulted in a NPV of
- (a) Less than minus Rs 2,00,000/- (negative)
- (b) Between minus Rs 2,00,000/- (negative) and Rs 2,00,000/- (positive)
- (c) Above Rs 2,00,000/- (positive) but below Rs 4,00,000/- (answer Rs 2,25,681/-)**
- (d) None of the above

**SECTION II**

**Question 16 is based on iGate re-joins fray to acquire Satyam News item in BS Main page 1.**

**Note: The following question may contain multiple answers and carries equal to or more than 1 mark**

16. Refer to the **news item titled iGate re-joins fray to acquire Satyam in page 1 and 2. Tick all the ones that you agree to (i.e., there may be multiple correct answers).** Leave all the ones that you disagree to. Please note that if you tick mark (agree) to a wrong answer then marks would be deducted as per the Section rules. Use your own judgment to decide on the answers (i.e., views, interviews and discussions might be biased)

- (a) iGates has joined the fray with a hope that taking over Satyam would bring in big sales enhancement [i.e.,  $2 + 2 > 4$ ]
- (b) iGates has joined the fray with a hope that taking over Satyam would lead to large scale cost economies [i.e., costs will significantly go down]
- (c) iGates has joined the fray with a hope that taking over Satyam would bring in large scale synergies
- (d) iGates has joined the fray with a hope that taking over Satyam would have large scale economies of scope
- (e) iGates has joined the fray with a hope that taking over Satyam would be a classic case of vertical integration
- (f) iGates has joined the fray with a hope that taking over Satyam would bring in improved management to iGate
- (g) iGates has joined the fray with a hope that attempting to take over Satyam would bring in benefits of information effect**
- (h) iGates has joined the fray due to Hubris hypothesis
- (i) iGates has joined the fray with a hope that taking over Satyam would easily result in Wealth transfers (as the main reason)
- (j) iGates has joined the fray with a hope that taking over Satyam would in all probability reduce the overall cost of capital of iGate
- (k) iGates has joined the fray with a hope that taking over Satyam would result in big tax benefit
- (l) iGates has joined the fray with a hope that taking over Satyam would have leverage gains
- (m) iGates has joined the fray with a hope that taking over Satyam would result in Managements personal agenda being fulfilled**
- (n) iGates has joined the fray with a hope that taking over Satyam would result in a firm that would be fully diversified IT Software Company, both in terms of products and the portfolio.

**Questions 17 to 18 are based on RBI verifying solvency of 10 realty firms News item in BS main page 1.**

17. While doing the internal assessment to verify solvency and the systemic risk, RBI would avoid using the following:

- (a) Market-to-book ratio (P/BV)
- (b) Asset utilization ratio (Sales/Total Assets)

**(c) Both (a) and (b)**

(d) None of the above

18. Why did real estate firms borrow through (their own) non-banking financial companies (NBFCs) [that they have floated by them] instead of borrowing directly on their own? Choose the most appropriate among the following:

(a) Manipulating books of NBFCs is easier than manipulating their own

**(b) NBFCs are guided by different debt-equity norms (while manufacturing firms have a debt-equity ratio of 4:1 the NBFCs have a debt-equity ratio of 10:1)**

(c) Both (a) and (b)

(d) None of the above

**Question 19 is based on 35% duty on aluminium products and Safeguard duty on 12 Chinese items likely news articles in BS main pages 1 and 2 respectively.**

19. The move would lead to:

(a) Decrease in the asset utilization ratio of Hindalco Limited

(b) Increase in the price-earnings ratio of Hindalco Limited

(c) Increase in the equity multiplier of Hindalco Limited

(d) All of the above

**(e) None of the above**

**Question 20 is based on Alom Extrusions Limited notice in BS main page 2.**

20. Based on the notice we would agree to:

(a) If Priyanka Vallabh were to sell 120 shares of OEL Extrusions Limited on 9<sup>th</sup> April 2009 to Raghav Parekh then Raghav would receive 20 shares of Alom Extrusions Limited

**(b) If Namrata Jain were holding 100 shares of OEL Extrusions Limited then she would receive 16 shares of Alom Extrusions Limited. She would also receive some cash for the balance unconverted shares.**

(c) Both (a) and (b)

(d) None of the above

**Question 21 is based on Oxford Book Store advertisement in BS main page 3.**

21. Assume this to be a new move by the book store. This advertisement should lead to:

**(a) Oxford book store having higher inventory turnover ratio**

(b) Oxford book store having lower days sales in receivables (average receivables period)

(c) Both (a) and (b)

(d) None of the above

**Questions 22 and 23 are based on Pantaloon's sales grow for second month and Pantaloon: Few Shoppers News items in BS main page 4.**

22. One could confidently state that
- (a) Pantaloon will have lower operating margins this year (compared to last year)
  - (b) Pantaloon will have higher asset utilization this year (compared to last year)
  - (c) Both (a) and (b)**
  - (d) None of the above
23. The discussion hints that Pantaloon's pre-tax cost of debt is approximately
- (a) 6.67%**
  - (b) 7.67%
  - (c) 8.67%
  - (d) 9.67%
  - (e) None of the above

**Questions 24 and 25 are based on Revise IPL dates further, say centre, states News item in BS main page 4.**

24. Based on the article one could agree to the following statement(s):
- (a) IPL investors and organizers operating cycle increases
  - (b) IPL investors and organizers cash cycle goes for a toss
  - (c) Working capital managers of events (such as IPL) have huge jump risks based on external (non-controllable) factors
  - (d) All of the above**
  - (e) None of the above
25. Which of the following instruments would BigAdda not be able to use for its working capital management:
- (a) Overdraft
  - (b) Inter-Corporate Deposits
  - (c) Inventory Loan**
  - (d) All of the above
  - (e) None of the above

**Question 26 is based on Tube Investment Subscribes to FCCPS News item in BS main page 4.**

26. Based on the article one could agree to the following statement(s):
- (a) Cholamandalam DBS Finance Limited benefits as FCCPS are more expensive vis-à-vis non-convertible (straight) preference shares of similar feature (temporarily)
  - (b) Tube Investments of India Limited is using the FCCPS as a form of deferred common stock financing



- (c) **By issuing FCCPS (instead of equity shares) on a preferential basis, perhaps, Cholamandalam DBS Finance Limited is conveying that the current market price of its equity shares is not reflecting its real value (it consider itself undervalued).**
- (d) All of the above
- (e) None of the above

**Questions 27 to 28 are based on Infy aims to get more from less News item in BS main page 4.**

27. Based on the article one could conclude that (in all probability):

- (a) *Ceteris Paribus*, this move will increase Infosys Asset Utilization
- (b) *Ceteris Paribus*, this move will increase Infosys Equity Multiplier
- (c) ***Ceteris Paribus*, this move will increase Infosys Profit Margins**
- (d) All of the above
- (e) None of the above

28. Based on the article one could conclude that (in all probability):

- (a) ***Ceteris Paribus*, Infosys would have had higher Profit Margins than TCS and Wipro**
- (b) *Ceteris Paribus*, Infosys would have had higher Asset Utilization than TCS and Wipro
- (c) *Ceteris Paribus*, Infosys would have had higher Equity Multiplier than TCS and Wipro
- (d) All of the above
- (e) None of the above

**Question 29 is based on HC adjourns Subhiksha petition for two weeks News item in BS main page 5.**

29. Based on the article one could conclude that (in all probability):

- (a) NBFC Blue Green Construction and Investment Limited's management believes in shareholder value maximization
- (b) Subhiksha's management does not believe in shareholder value maximization
- (c) **Both (a) and (b)**
- (d) None of the above

**Question 30 is based on Sanofi mulls diagnostics, animal health buys News item in BS main page 6.**

30. On the mergers & acquisitions front, one can make out that Sanofi's CEO Chris Viehbacher has a bias towards:

- (a) Identifying acquisitions after evaluating and analyzing a lot of potential companies
- (b) Acquisitions targeting small and medium-sized companies
- (c) Consolidate the company to ensure better search of patented blockbuster drugs
- (d) **Both (a) and (b)**

- (e) None of the above

**Questions 31 to 32 are based on Kodak targets soccer moms for digital products News item in BS main page 6.**

31. You had bought Eastman Kodak Co. shares a couple of months back and you manage your portfolio using fundamental analysis. Based on the information provided in the article you would tend to
- (a) Sell the scrip**
- (b) Buy more shares of the scrip
- (c) Hold on to the counter
- (d) Can't say
32. If all the western capital markets were semi-strong form efficient. If this was also true for Eastman Kodak Co. counter then
- (a) The news item would have meant more selling in the Eastman Kodak Co. shares resulting in a fall in the coming trading days
- (b) The news item would have meant an approximate loss of 89 per cent in the books of Eastman Kodak Co.
- (c) The news item would have led to technical analysts raking in consistent abnormal returns by trading in the Eastman Kodak Co. shares
- (d) None of the above**

**Questions 33 to 35 are based on advertisements and tender offers in BS main page 7**

33. Pallavi Bhargava owned some units of Birla Sun Life Short Term Opportunities Fund (under the dividend option). She did not receive any dividend till 30 April 2009. She wanted to complain about it with SEBI. She would register her complaint against:
- (a) Aditya Birla Nuvo Limited
- (b) Birla Sun Life Mutual Fund**
- (c) Sun Life (India) AMC Investments Inc.
- (d) Government of India
- (e) All of the above
- (f) None of the above
34. A change in capital structure could be expected based on the information provided:
- (a) Balmer Lawrie & Co. Limited
- (b) Heavy Engineering Corporation Limited
- (c) Nava Bharat Ventures Limited
- (d) South Eastern Coalfields Limited
- (e) TTK Healthcare Limited
- (f) Both (a) and (c)
- (g) Both (b) and (d)

**(h) Both (c) and (e)**

(i) None of the above

35. Choose the false statement:

(a) After payment of dividend, the NAV of Birla Sun Life short-term opportunities fund will fall to the extent of the dividend payout and statutory levy, if any.

(b) Nava Bharat Ventures Limited current debt-to-equity ratio should not be more than 2:1

**(c) TTK Healthcare Limited would not be able to raise capital from primary markets by any further issue of (new) securities within the next two years (approximately).**

(d) All of the above

**(e) None of the above****Question 36 is based on Blue Label for the blues news article in BS main page 8**

36. One can make out that the airline business related man and the property business related lady are perhaps (based on the discussion pick the nearest one):

(a) Entrepreneurs

**(b) Traders**

(c) Both (a) and (b)

(d) None of the above

**Question 37 is based on In the Spirit of dhandu news article in BS main page 9**

37. In the discussion on Gandhiji selling his autograph, the author (Devangshu Dutta) is assuming an inflation rate of approximately:

(a) 6.40%

(b) 7.40%

(c) 8.40%

**(d) 9.40%**

(e) None of the above

**Question 38 is based on Pride Hotels advertisement in BS main page 10**

38. The capital budgeting estimates of 'The Pride Hotel – Mumbai (2010)' for a 7-year time period would perhaps have a negative NPV if we ignore the:

(a) the yearly operating profits (or losses)

(b) the yearly depreciation / amortization

**(c) the terminal value (real estate is the biggest asset of such businesses)**

(d) None of the above

**SECTION III**

**Questions 39 to 41 are based on HDFC Mutual Fund advertisement in BS Section II page 1.**

39. Upasana Pindwal invested equal amount of money in both the funds on 17-03-2008. She wanted to dispose the same off on 30-04-2009. *Ceteris Paribus*, the dividend yield for FY2009 would be:
- (a) More in HDFC Equity Fund – Dividend Plan
  - (b) More in HDFC Prudence Fund – Dividend Plan**
  - (c) Equal in both
  - (d) Can't say
40. Lenin Mandalapu purchased 150 units and 125 units of HDFC Equity Fund – Dividend Plan and HDFC Prudence Fund – Dividend Plan respectively on 17-03-2008. He wanted to dispose the same off on 30-03-2004. *Ceteris Paribus*, the dividend cheques would be
- (a) More in HDFC Equity Fund – Dividend Plan**
  - (b) More in HDFC Prudence Fund – Dividend Plan
  - (c) Equal in both
  - (d) Can't say
41. If the government were to have higher tax rate on dividend income and less taxes on Capital Gains then investing in which of the following portfolio would be more beneficial from a tax perspective (please consider investment at face value of each fund):
- (a) 10% HDFC Equity Fund and 90% HDFC Prudence Fund
  - (b) 90% HDFC Equity Fund and 10% HDFC Prudence Fund**
  - (c) 50% HDFC Equity Fund and 50% HDFC Prudence Fund
  - (d) 100% HDFC Prudence Fund

**Questions 42 is based on Pledged share disclosure diktat may extend to holding companies news article in BS Section II page 1.**

42. A pledged share disclosure norm for holding companies would be a negative news for:
- (a) Foreign owned companies including multinationals
  - (b) Indian Business Groups**
  - (c) Private Indian-owned professional companies
  - (d) Public sector companies
  - (e) All of the above
  - (f) Can't say
43. Perhaps, the average share price of Lawreshwar Polymers on Bombay Stock Exchange on 13-03-2009 was:
- (a) Rs 3.825
  - (b) Rs 3.775**
  - (c) Rs 3.90

(d) None of the above

**Questions 44 to 49 are based on the BSE stock market quotations of four major cement companies i.e., ACC, Ambuja Cements, India Cements and UltraTech Cements**

44. In the above four companies, the cost of capital of \_\_\_\_\_ company is the highest

- (a) ACC
- (b) Ambuja Cements
- (c) India Cements
- (d) UltraTech Cement

**(e) Can't Say**

45. In the above four companies, using CAPM model for computation of the cost of equity would give \_\_\_\_\_ as the company having minimum cost of equity

- (a) ACC
- (b) Ambuja Cements
- (c) India Cements

**(d) UltraTech Cement**

(e) Can't Say

46. If we assume all the above four companies have similar future growth rates then one could safely state that – *among the four cement companies \_\_\_\_\_ is the most attractive cement company for investment purposes*

- (a) ACC
- (b) Ambuja Cements
- (c) India Cements**
- (d) UltraTech Cement
- (e) Can't Say

47. If you were given Rs 40,000/- to invest in each of these four companies equally – you would own the maximum shares of \_\_\_\_\_ Company and you would be having maximum ownership over \_\_\_\_\_ Company, respectively.

- (a) ACC and UltraTech Cements
- (b) Ambuja Cements and India Cements**
- (c) India Cements and Ultra-Tech Cements
- (d) UltraTech Cements and UltraTech Cements
- (e) Can't Say

48. On evaluation– one can conclude that cement scrip's have been having

- (a) A good time on the bourses for the last ten years
- (b) A good time at the bourses for the last one month
- (c) A good time at the bourses for the last ten days

**(d) Can't Say**

49. An FII is interested in investing in only two of the above four cement companies. Its only concern is liquidity at the counters. The FII should go for

- (a) ACC and India Cements**
- (b) Ambuja Cements and India Cements
- (c) India Cements and UltraTech Cements
- (d) ACC and UltraTech Cement
- (e) Can't Say

**Questions 50 to 53 are based on the BS board meeting announcements column in BS section II page 3**

50. Which of the following company's announcement indicates the largest (potential) corporate governance problems

- (a) Gandhimati App
- (b) Superhouse**
- (c) Mannapuram Gen
- (d) Sterlite Pro
- (e) Hazoor Mul Proj

51. The announcement by Avantel will result in

- (a) Lower cost of capital
- (b) Lower Liquidity at the counter**
- (c) Entry of more retail investors
- (d) Both (b) and (c)

52. PI Ind announcement should indicate (pick the most suitable one):

- (a) Good future prospects for the industry
- (b) Good future prospects for the company
- (c) Higher Liquidity at the counter
- (d) Positive signaling effect**

53. Based on pecking order theory one can state that the announcement by Spanco is a (pick the most suitable one):

- (a) Positive signal
- (b) Negative signal**
- (c) A signal which is better than using loans and internal accruals
- (d) Can't say

**Questions 54 is based on all news articles in BS Section II page 1.**

54. Loss making companies like Jet Airways, Moser Baer and Tata Tele can draw solace from the following article:


- (a) Bank credit flow goes up, courtesy year-end demand

- (b) India's forex reserves dip by \$1.98 bn
- (c) IFC mulls turning debt into equity**
- (d) Strides Acrolab rises on deal cancellation
- (e) Bond yields fall as RBI rejects bids

**Questions 55 is based on Technical's: Bullish sentiment to prevail news article in BS Section II page 1.**

55. The article of this article is assuming Indian equity markets to be:

- (a) Strong form efficient
- (b) Semi-strong form efficient
- (c) Weak form efficient
- (d) None of the above**

	<b>XLRI Jamshedpur</b> <i>School of Business &amp; Human Resources</i>	<b>ANSWER SHEET</b>	
<b>End Term Examination – Basic Financial Management</b>			
<b>Weightage</b>	40%	<b>Duration</b>	150 minutes
<b>Name</b> _____		<b>Roll No.</b> _____	

Question No	Your Answer	Question No	Your Answer	Question No	Your Answer
1	B	21	A	41	B
2	D	22	C	42	B
3	A	23	A	43	B
4	C	24	D	44	E
5	B	25	C	45	D
6	D	26	C	46	C
7	G	27	C	47	B
8	C	28	A	48	D
9	D	29	C	49	A
10	A	30	D	50	B
11	C	31	A	51	B
12	A	32	D	52	D
13	A	33	B	53	B
14	B	34	H	54	C
15	C	35	C or E	55	D
16	G and M	36	B		
17	C	37	D		
18	B	38	C		
19	E	39	B		
20	B	40	A		

===== **The following information would be kept confidential**=====

**Peer Review within Group (weightage based on number of votes received)**

My Name: \_\_\_\_\_

My Roll No: \_\_\_\_\_

Excluding myself, in my view, the following group-mate contributed most for submissions

Roll No.	Name

**Signature:** \_\_\_\_\_