A. S.

Mid-West University

Examinations Management Office

Surkhet, Nepal

Chance Examination-2078

Master of Business Administration (MBA)

Semester - IV

R.No...................

Subject: International Business Strategy
Full Marks: 100   Pass Marks: 50

Course Code: MGT 541
Time: 4: 00 Hours

SECTION A: MULTIPLE CHOICE QUESTIONS (1 × 20 = 20 MARKS)/ (TIME: 20 MINUTES)

*Tick the **best** answer:*

1. Havana Charter is related to:
   a. International Trade Organization
   b. General Agreement on Tariffs and Trade
   c. World Trade Organization
   d. United Nations
2. Nepalis member of:
   a. APEC
   b. BIMSTEC
   c. NAFTA
   d. ASEAN
3. "Trade takes place when a nation possesses abundance of resources compared to another to lower cost than another nation" as per theory of:
   a. Absolute Cost Advantage
   b. Factor Abundance
   c. The Product Life Cycle
   d. Heckscher - Ohlin
4. Using another company's name on fee is known as:
   a. Licensing
   b. Fanchising
   c. Strategic Alliance
   d. Turn key
5. Eurocurrency Market is:
   a. US dollar deposited by investors at European Banks
   b. Currency developed in Europe
   c. Market developed by Central Bank
   d. Currency Exchange Market
6. Countries of Transition economy are:
   a. Formerly communist countries
   b. Smaller economies
   c. Least developed countries
   d. Democratic countries
7. Which one of the followings is not the pertinent issue for anti-globalization?
   a. Threats to National Security
   b. Growth and Environmental Stress
   c. Growing Income Inequality
   d. Expanded Cross-National Cooperation
8. Most of the governments have reduced the restrictions on international movements of products and services because.
   a. Their citizens want greater variety of goods and services at lower prices.
   b. Competition spurs domestic producers to become more efficient
   c. They hope to include other countries to lower their barriers in turn
   d. All of the above.
9. This theory believes that a country's relative endowments of land, labor, and capital will determine the relative costs of these factors.
   a. Factor propotion theory
   b. Country –similaruty theory
   c. Porter diamond theory
   d. The theory of country size

10. The theory of international trade proposes specialization through free trade because consumers will better off if they can buy foreign made products that are priced more cheaply than domestic ones.

a. Acquired advantage
b. Natural advantage
c. Absolute advantage
d. Comparative advantage

11. This staffing policy helps build a strong unifying corporate culture and informal management network.

a. Ethnocentric
b. Geocentric
c. Polycentric
d. None of the above

12. When a company's employees encounter distress because of difficulty in accepting or adjusting to foreign behaviors, it is an example of :

a. Cultural collision
b. Geographic influences
c. Political and legal factors
d. Economic forces

13. This theory says that global efficiency gains may still result from trade if a company specializes in those products it can produce more efficiently than other products.

a. Theory of natural advantage
b. Theory of comparative advantage
c. Theory of acquired advantage
d. Theory of absolute advantage

14. ASEAN stands for.........................

a. Association of southeast Asian nations
b. Association of southern eastern Asian nations
c. Association of sub eastern Arabic nations
d. None of the above

15. According to the ...., most trade occurs among high-income countries because they share similar market characteristics.

a. factor propotion theory
b. country –similaruty theory
c. porter diamond theory
d. the theory of country size

16. This type of exchange rate is quoted for transactions that require delivery within two business days.

a. Spot rate
b. Future rate
c. Options
d. Currency swap

17. Currencies that are not fully convertible are often called......................... They tend to be the currencies of developing countries.

a. Hard currency
b. Soft currency
c. Weak currencies
d. Both b and c

18. Foreign Direct Investment differs from indirect investments such as portfolio investment because of:

a. Size of capital
b. Controlling power
c. Coverage area
d. Return on investment

19. Some emerging economies skip entire generations of technology in favor of more recent technologies. This is known as:

a. substitution
b. leapfrogging
c. skimming
d. none of the above

20. The primary reasons behind the tendency of firms to alter their products to meet local conditions is/are:

a. legal
b. cultural
c. economical
d. all of the above

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You are required to answer in your own words as far as applicable. The figures in the margin indicate full marks.

SECTION B: SHORT ANSWER QUESTIONS (5X6 = 30 MARKS)

*Answer any **FIVE** questions:*

1. How can operation of International Business be affected by Political system of any country?
2. How do you differentiate the Business Firms operating beyond the national boundaries as transnational firms, Global firms, International firms or Multi-domestic firms?
3. Do you agree to the statement that "Licensing proprietary technology to foreign competitors is the best way to give up a firm's competitive advantage?
4. The concept of SAFTA (South Asian Free Trade Association) and common currency in south Asian countries are in the news from the last decade. Do you believe that free trade and common currency is possible in south Asian countries?
5. List down the three major consequences of increasing globalization. Describe each of them in brief.
6. Is it always beneficial for any country to have trade surplus? Elaborate your answer with examples.
7. Compare and contrast country comparison tools gird and matrix. Which comparison tool is better and why?

SECTION C: LONG ANSWER QUESTIONS (2X15 = 30 MARKS)

*Answer any **TWO** questions:*

8. Describe the reasons of international trade and its development as advocated by the different classical and neo-classical trade theories.
9. Nepal and India have pegged exchange rate from years. Do you believe that now both countries need to let market determine the exchange rate? Discuss.
10. Supporters of globalization argues that free trade will result in countries specializing in the production of those goods and services that they can produce more efficiently, while importing goods and services that they cannot produce as efficiently. Do you agree to this statement?

SECTION D: CASE STUDY (20 MARKS)

11. *Read the **Case** given below and answer the following questions:*

General Motors was created as a holding company for the Buick Motor Company in 1908, but it only acquired something like its present shape through, over subsequent decades, acquiring other companies, including Oldsmobile, Pontiac, and Chevrolet in Europe, Opel and Vauxhall, all of which traded under their own names as part of the group. Although it was at one point one of the most successful companies in the United States – hence the aphorism 'what's good for General Motors is good for the country', a misquotation of one of its mid-century CEOs Charles E. Wilson – it was badly hit by the various recessions of the 1970s, 1980s and 1990s, and had a number of public relations missteps during this time. Following layoffs at its Flint, Michigan manufacturing operation in the 1990s, GM spent over a decade plagued by industrial action. Moreover, while it remained the largest automobile company in the world (with operations in 35 countries), it also faced problems due to its focus on sport utility vehicles (SUVs), which sold poorly in the face of the environmental crisis, the petrol shortages and the economic downturn. In 2009, General Motors declared Chapter 11 bankruptcy.

Labour and production

Although General Motors, in its official documents, cites the 1980s and 1990s as its period of 'globalization', it has arguably been globalizing since the 1920s and its first overseas acquisitions, and by the 1970s was the largest US-based multinational. Its globalization strategy follows its domestic expansion strategy in being largely focused on acquiring local subsidiaries, although it has also set up Greenfield operations (and, in some cases, employed both strategies in the same country). This has allowed the company to take advantage of local tastes, knowledge and nationalism; many Germans, for instance, even if they are aware that Opel is foreign owned, treat it very much as a local brand. This can be valuable in a sector such as the automobile industry, which, as Global Shift notes, is strongly driven by cultural notions of taste and status.

However, the difficulty which it presents is that it is strongly tied to local labour systems. The company's troubles with the workers at Opel in the 2000s, and the domestic political fallout from the Flint layoffs, had to be solved by on-the-ground negotiation, and also gave the lie to GM's apparent support for local markets.

Furthermore, GM faced stiff competition from Japanese companies in the 1970s and 1980s, which, as well as having the more flexible 'lean production' system, had more globalized strategies which allowed them to take advantage of economies of scale.

Knowledge and environment

A key advantage which globalization has brought for GM is the ability to absorb the rapid flow of information about new technologies and processes and to apply them. Following the rise of Japanization in the 1970s, for instance, GM not only adopted lean production systems, but actively competed with its foreign rivals by introducing smaller, cheaper, more fuel-efficient models. However, in more recent years GM was slow to react to the rise of the environmental lobby and the rise in oil prices, continuing to focus on the expensive, fuel-inefficient SUV lines at the expense of more fuel-efficient models, hybrids and electrical cars.

Significantly, this is because SUVs are popular in North America, meaning that the decision to focus on a single national market in one case has had repercussions for the group. GM has also been hit badly by recent increases in the prices of raw materials, particularly metals. GM can thus potentially respond to global trends in information and materials prices rapidly, but can also be hard hit by local issues.

Nationalism and General Motors

A key response to General Motors' recent financial difficulties was a series of loans made by the US government to it and other auto manufacturers of American origin, a move which remains controversial. However, it is understandable in light of the fact that although, as Global Shift emphasizes, the automobile industry has not been national for some time, it is still tied up with nationalist discourses (Hence GM's success with its Brownfield acquisitions strategy). However, this can cause problems: when the British car industry was nationalized during the 1970s under similar circumstances, the result was stagnation, lack of competitiveness and a failure to keep up with technological and cultural trends. To remain globally competitive, automobile companies need to be subject to failure as much as to successes; the current bankruptcy situation suggests that General Motors will, in future, be trading as a number of smaller companies.

Questions:

a. Was the bankruptcy/bailout option the best one for General Motors? If so, why? If not, why not?
b. Which factor – labour, environmentalism or the 2008 recession – do you feel is the most responsible are for General Motors' current problems, and why?
c. What does the General Motors case study tell us about American business systems and MNCs?
d. 'The factors which led to GM's success are the same ones which have contributed to its downfall.' Discuss.

THE END

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Examinations Management Office
Chance Examination-2078
Surkhet, Nepal
Master of Business Administration (MBA)
Semester – IV

R.No......................

Subject: Strategic Financial Management — Course Code: MGT 547/FIN 547
Full Marks: 100 Pass Marks: 50 — Time: 4: 00 Hours

SECTION A: MULTIPLE CHOICE QUESTIONS (1 × 20 = 20 MARKS)/ (TIME: 20 MINUTES)

Tick the best answer:

1. Interest is deducted in advance on ....
   - a. add-on loan
   - b. simple loan
   - c. discounted loan
   - d. all of the above
2. Tax is deductable on.............
   - a. lease rent
   - b. instalment of loan
   - c. both a & b
   - d. none of the above
3. .... is sold at heavy discount.
   - a. Perpetual bond
   - b. Straight bond
   - c. Zero-coupon bond
   - d. Redeemable bond
4. .... is used to determine the portfolio expected rate of return.
   - a. Security market line (SML)
   - b. Capital market line (CML)
   - c. Sharpe Index
   - d. None of the above
5. Dividend is relevant according to ....theory:
   - a. Birds in hand
   - b. Modigliani and Miller's
   - c. Tax preference
   - d. All the above
6. Stock repurchase is the alternative of ....
   - a. distribution of stock dividend
   - b. raising additional capital
   - c. distribution of cash dividend
   - d. all the above
7. A company repurchase stock when:
   - a. There is an investment opportunity
   - b. There is a sufficient cash and no investment opportunity is available
   - c. Majority of shareholder wants cash dividend
   - d. There is no sufficient cash
8. An acquisition of a company or division of another company financed with a substantial portion of borrowed fund is called...........
   - a. reverse merger
   - b. leveraged buyout
   - c. management buyout
   - d. all the above
9. The process of buying a business by existing management team from its owner is known as:
   - a. reverse merger
   - b. leveraged buyout
   - c. management buyout
   - d. all the above
10. Combined leverage shows the relationship between:
    - a. Sales and EBIT
    - b. EBIT and EPS
    - c. Sales and EPS
    - d. All of the above
11. The type of collateral (security) used for short-term loan is:
    - a. Real estate
    - b. Plant & Machinery
    - c. Stock of goods
    - d. Equity share capital

12. .... is a formal legal commitment between a bank and its customer.
   a. Trade credit
   b. Line of credit
   c. Revolving credit
   d. Commercial Paper
13. Inventory financing is a............
   a. spontaneous source of financing
   b. unsecured source of financing
   c. secured source of financing
   d. All the above
14. Which one of the followings is a feature of zero-coupon bonds?
   a. Sold at Par
   b. Sold at premium
   c. Pays no Interest
   d. Not Redeemable
15. Beta (β) of risk-free investment is:
   a. Zero
   b. 1
   c. -1
   d. None of the above
16. Which of the following is true?
   a. Higher the Beta, lower the risk
   b. Higher the Beta, higher the risk
   c. Risk is constant
   d. Beta is constant.
17. Higher OL is related to the use of higher:
   a. Debt
   b. Equity
   c. Fixed Cost
   d. Variable Cost
18. Dividend is irrelevant according to ....theory.
   a. Birds in hand
   b. Modigliani and Miller's
   c. Tax preference
   d. All the above
19. In stock dividend:
   a. Authorized capital always increases
   b. Paid up capital always increases
   c. Face value per share decreases
   d. Market price for share decreases
20. A .... takes place between two firms in the same line of business.
   a. conglomerate merger
   b. horizontal merger
   c. vertical merger
   d. reverse merger

AS.

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Examinations Management Office

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Semester – IV

Subject: Strategic Financial Management
Full Marks: 100 Pass Marks: 50

Course Code: MGT 547/FIN 547
Time: 4: 00 Hours

You are required to answer in your own words as far as applicable. The figures in the margin indicate full marks.

SECTION B: SHORT ANSWER QUESTIONS (5X6 = 30 MARKS)

Answer any FIVE questions:

1. Explain the merits and demerits of short term financing. [3+3]
2. Explain the valuation model for super normal growth stock. [6]
3. Stocks X and Y have the following probability distribution of expected future returns:

Probability	X	Y
0.1	(10%)	(35%)
0.2	2	0
0.4	12	20
0.2	20	25
0.1	38	45

   a. Calculate the expected rate of return, K_Y for Stock Y ($K_X = 12\%$) [2]

   b. Calculate the standard deviation of the expected returns for stock X. (That for Stock Y is 20.35) [3]

   c. Calculate the coefficient of variation for Stock Y. Is it possible that most investors might regard Stock Y as less risky than Stock X? Explain [1]

4. The Bajra Textile Company's shareholders' equity account (book value) as of December 31, 2018, is as follows:

Common stock (Rs 100 par value; 50,000 shares)	Rs 50,00,000
Additional paid-in capital	70,00,000
Retained earnings	2,50,00,000
Total shareholders' equity	Rs 3,70,00,000

   Currently, Bajra is under the pressure from shareholders to pay some dividends. Bajra's cash balance is Rs 800,000, all of which is needed for transactions purposes. The stock is trading for Rs 380 a share.

   a. Reformulate the shareholders' equity account if the company pays a 25 percent stock dividend. [3]

   b. Reformulate the shareholders' equity account if the company declares a 5-for-4 stock split. [3]

5. Samsung Company needs to increase its working capital by Rs 8.8 million. The following three financing alternatives are available (assume 365 days year):

   a) Forgo cash discounts (granted on a basis of "3/10, net 30") and pay in final due date.

   b) Borrow Rs 10 million from bank at 15 percent interest. This alternative would necessitate maintaining a 12 percent compensating balance.

   c) Issue Rs 9.5 million of six-month commercial paper to net Rs 8.8 million. Assume that new paper would be issued every six months.

   Assuming that the firm would prefer the flexibility of bank financing, provided the additional cost of this flexibility was no more than 1.5 percent per annum, which alternative should Samsung Company select? Why? [6]

6. What do you mean by beta (β) coefficient? Why does market beta (β) always become 1? Explain.[2+4]

7. Mechi Corporation is a fast growing supplier of electronic products. Analysts project the following free cash flows during the next three years, after which free cash flow is expected to grow at a constant 8 percent rate. Mechi's weighted average cost of capital is 12 percent.

Time (in years)	1	2	3
Free cash flow (in millions)	-Rs 30	Rs 45	Rs 50

a. What is Mechi's terminal or horizon value? [2]

b. What is the value of the firm today? [2]

c. Suppose Company has Rs. 157 million in debt and 10 million shares of stock. What is the price per share? [2]

SECTION C: LONG ANSWER QUESTIONS (2X15 = 30 MARKS)

Answer any TWO questions:

8. Define merger. What are its types? Explain the benefits of merger and acquisition. [4+3+8]

9. A-10 year, 14 percent semi-annual coupon bond, with a par value of Rs 1,000 may be called in 4 yrs at a call price of Rs 1,060. The bonds sell for Rs. 1,100. (Assume that the bond has just been issued).

a. What is the bond's yield to maturity? [5]

b. What is the bond's current yield? [2.5]

c. What is the bond's capital gain or loss yield? [2.5]

d. What is the bond's yield to call? [5]

10. Sangrila Development Bank Ltd. is attempting to determine whether to lease or purchase a new Automated Teller Machine (ATM). The firm is in the 40 percent tax bracket and the after-tax cost of debt is currently 6 percent. The term of lease and purchase are given below:

Lease: Annual advance lease payments of Rs 2,21,500 are required over its four years life. The lease payment is one deductible for tax purpose until the service is actually received.

Purchase: The Automated Teller Machine (ATM) costing Rs 8,40,000 could be purchased. Straight-line depreciation and no salvage value would be used. The purchase would be financed with a Rs 8,40,000, 12 percent loan requiring four annual end of year payments of Rs 2,76,550.

a. Calculate the after-tax cash outflows associated with each alternative. [6]

b. Calculate the present value of each of these cash flow streams by using the after-tax cost of debt.[6]

c. Which alternative would you recommend? Explain. [3]

SECTION D: CASE STUDY (20 MARKS)

11. *Read the **Case** given below and answer the following questions:*

Surkhet Digit Cable is the one of the pioneer cable company of Mid-Western, Nepal. It is providing cable television service more than 1200 customers since 2001. It has a total investment in assets of Rs. 200 million. Siddhartha Cable is another newly established Cable Company of Mid-Western, Nepal. Siddhartha Cable is providing cable television service more than 2500 customers. The total investment in assets of Siddhartha Cable is Rs 600 million. CEO of both the company agreed to form a new Mid-Western Cable Company through a merger between Surkhet Digit Cable Company and Siddhartha Cable Company.

The share of Surkhet Digit Cable Company and Siddhartha Cable Company in the portfolio represented by the new Mid-Western Cable Company is based on the rate of their total assets prior to merger.

The expected returns for two firms are as follows:

State of Nature	Probability	Surkhet Digit Cable Company	Siddhartha Cable Company
Great	0.25	-0.05	-0.10
Good	0.30	0.10	0.15
Average	0.20	0.22	0.14
Bad	0.25	0.35	0.25

Required:

a. The expected return and standard deviation of Surkhet Digit Cable Company and Siddhartha Cable Company before the merger. [5]

b. The Covariance and the correlation between the returns for Surkhet Digit Cable Company and Siddhartha Cable Company before the merger. [5]

c. The expected return of Mid-Western Cable Company. [5]

d. The standard deviation of return for Mid-Western Cable Company. [5]

THE END

A.S.

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Chance Examination-2078
Master of Business Administration (MBA)
Semester - IV

R.No........................

Subject: Corporate Law
Full Marks: 100 Pass Marks: 50

Course Code: MGT 542
Time: 4: 00 Hours

SECTION A: MULTIPLE CHOICE QUESTIONS (1 × 20 = 20 MARKS)/ (TIME: 20 MINUTES)

Tick the best answer:

1. ADR means:
   a. Alternative Dispute Resolution
   b. Alternative Dispute Record
   c. Alternative Directive Road
   d. Alternative Division Rest
2. The intellectual property has:
   a. Global jurisdiction
   b. Territorial jurisdiction
   c. In one continent
   d. None of the above
3. Which one of the businesses is allowed for foreign investment?
   a. Poultry farming
   b. Real state
   c. Home stay and rural tourism
   d. Construction
4. Annual home leave provided to an employee is:
   a. 18 days
   b. 20 days
   c. 19 days
   d. 15 days
5. % of provident fund deducted from employees salary is:
   a. 11%
   b. 10%
   c. 8.33%
   d. 13%
6. Fraud is a/an......
   a. Intentional misrepresentation
   b. Misrepresentation
   c. No intention to lie
   d. Mistake
7. Counter offer means
   a. Two offers
   b. Acceptance of offer
   c. Making a new offer to the original offer
   d. Rejection of agreement
8. A private limited company can have a single shareholder
   a. True
   b. False
   c. Minimum two shareholders are required
   d. None of the above
9. What is binding on all?
   a. Law
   b. Decision
   c. Award
   d. Coordination
10. Which one of the following options is a salient feature of law?
    a. Sharing of resources
    b. Equal treatment
    c. Suing
    d. Treatment

11. How many parties are involved in a contract?
   a. One party
   b. Two or more parties
   c. None
   d. Countless
12. Which one business organization has a limited liability?
   a. Private firm
   b. Partnership firm
   c. Company
   d. Others
13. Which one intellectual property protects inventions and non-obviousness?
   a. Trademark
   b. Patent
   c. Designs
   d. Plant designs
14. Which one of the followings is not an essential of a valid contract?
   a. Valid offer and valid acceptance
   b. Intention to create legal relation
   c. Free consent
   d. Mistake
15. Which one is not the characteristic of law?
   a. Equality
   b. Justice
   c. Supreme in position
   d. Unchangeable
16. Minor in Nepal indicates a person:
   a. Below the age of 10 years
   b. Below the age of 16 years
   c. Below the age of 18 years
   d. All
17. The ignorance of law is not .... In the society.
   a. Binding
   b. Excused
   c. Mandatory
   d. Forcible
18. A company may become insolvent if it:
   a. cannot meet its budgeted level of profit.
   b. cannot pay creditors in full after realisation of its assets
   c. has negative working capital
   d. makes a loss
19. Role of the mediator is to act as:
   a. facilitator
   b. director
   c. decision maker
   d. discussion maker
20. According to the labor law of Nepal, the standard working hour for a full time worker is:
   a. Five hours daily
   b. Six hours daily
   c. Eight hours daily
   d. Twelve hours daily

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Subject: Corporate Law
Full Marks: 100 Pass Marks: 50

Course Code: MGT 542
Time: 4: 00 Hours

You are required to answer in your own words as far as applicable. The figures in the margin indicate full marks.

SECTION B: SHORT ANSWER QUESTIONS (5X6 = 30 MARKS)

*Answer any **FIVE** questions:*

1. Why do you think intellectual property has territorial jurisdiction (protection) in nature?
2. What categories of leaves are not considered as a 'matter of right' of the employees? Why?
3. What are the essential elements of a contract?
4. What is foreign investment? In what areas Nepal does not allow for foreign investment?
5. Define arbitration. Write down the roles and duties of an arbitrator.
6. Differentiate between partnership organization and company.
7. Write short notes (on any Two):
   a. Private Company.
   b. Void contract
   c. Mediation

SECTION C: LONG ANSWER QUESTIONS (2X15 = 30 MARKS)

*Answer any **TWO** questions:*

8. Why do you think an offer has to have 'a condition' and an acceptance has to be 'an unconditional'? Provide examples to your answer.
9. How does a contract differ from an agreement? Discuss the factors that are essential for a valid contract.
10. Explain the procedures of an incorporation of a new company in Nepal under the Company Act, 2063.

SECTION D: CASE STUDY (20 MARKS)

11. *Read the **Case** given below and answer the following questions:*

Fly Nepal (FN) is one of the leading airline companies in Nepal. FN has both domestic and international flight system. FN has three Boeings for international flights and various small planes for domestic flights. FN is definitely doing a great business in the airline industry.

In November 2012, FN sold millions of drink coupons at 450 Nepalese rupees each to the passengers. The coupons had no expiration date, meaning the passengers could exchange them for drink on any future plane trip they took. Passengers enjoyed this scheme made by FN.

As said earlier, FN was able to sell millions of drink coupons. However, 3 million coupons remained unredeemed meaning that the coupons were not used on time as FN had planned. So, in August 2013, the FN announced a change in its scheme, which said, the coupons would be valid only during the flight in which the voucher was purchased.

You are a regular passenger of FN. You had purchased several drink coupons while on board. However, you were not able to redeem some of the coupons. You were denied redeeming after the announcement of new policy. You believe that FN has breached the contractual obligations and must redeem the coupons. FN contention is that, making policy is an internal matter of the company. A company lawfully can make new policies and amend or repeal old policies. Therefore, there is no breach of contract.

Thus, after several unsuccessful attempts to redeem the coupons, you have decided to file suit against FN. Your target is to seek an appropriate remedy against the FN's new policy. You will be representing yourself and all other FN passengers who had purchased such drink coupons and had not yet redeemed them.

Your argument is that contract was entered between FN and the passengers. FN breached the contract by not redeeming the coupons and bringing in the new policy.

<u>Questions:</u>

Now in the given situation: was there any contract? If yes, how can you say there was a contract? Is it a breach of contract? If yes, how has the contract been breached? If yes, which contractual remedy would be appropriate to resolve this issue? Give reasons.

THE END

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Semester – IV

A.S.

R. No.......................

Subject: Security Analysis and Portfolio Management — Course Code: MGT 548/FIN 548
Full Marks: 100 Pass Marks: 50 — Time: 4: 00 Hours

SECTION A: MULTIPLE CHOICE QUESTIONS (1 × 20 = 20 MARKS)/ (TIME: 20 MINUTES)

Tick the best answer:

1. The risk on a stock portfolio which cannot be eliminated or reduced by placing it in diversified portfolio is classified as ....
   a. Diversifiable risk
   b. Portfolio risk
   c. Stock risk
   d. Market risk
2. Which one of the following methods is used to calculate indices by Nepal Stock Exchange?
   a. Price weighted index calculation method
   b. Equally weighted index calculation method
   c. Value weighted index calculation method
   d. Geometric series index calculation method
3. Which one of the followings best describe the term 'Technical Analysis'?
   a. It is the analysis of stock market based on past trends and charts
   b. It is the analysis of stock market based on financial statements
   c. It is the analysis of stock market based on the decision making process of investors
   d. It is the analysis of stock market based on the insider information of a company
4. If the intrinsic value of a common stock is Rs. 250 with growth rate of 8% and expected dividend next year as Rs. 10, what will be the expected return from the stock?
   a. 6%
   b. 8%
   c. 10%
   d. 12%
5. In which form of market efficiency, the information on past price trend is reflected in the current market price?
   a. Semi-strong form of efficiency
   b. Weak form of efficiency
   c. Strong form of efficiency
   d. Market efficiency
6. Which one of the following statements is true?
   I. In a strong form of efficient market, there are not mispriced assets.
   II. In a strong form of efficient market, all information is available to all investors.
   a. I only
   b. II only
   c. Neither I nor II
   d. Both I and II
7. The Dow Theory uses .... to follow three major types of market movements.
   a. Charting
   b. Key indicators
   c. Fundamental analysis
   d. None of the above
8. Which one of the following institutions is not directly related to the primary share issuance of a company in Nepal?
   a. Securities board of Nepal
   b. Merchant bankers
   c. CDS and clearing ltd.
   d. Nepal stock exchange ltd.
9. The portion of income not spent on .... is saving.
   a. Consumption
   b. Production
   c. Distribution
   d. None
10. Which one of the followings is true about risk averse investor?
    a. They care only about risk
    b. They care only about returns
    c. They might hold a risky security as part of a portfolio even if it's expected return is less than the risk-free rate
    d. They prefer a risk - free security to a risky security

11. The unsystematic risk of a specific security:
   a. is likely to be higher in an increasing market
   b. results from factors unique to the firm
   c. depends on market volatility
   d. cannot be diversified away

12. An investor is considering adding another investment to a portfolio. To achieve the maximum diversification benefits, the investor should add, if possible an investment that has the following correlation coefficients with the other investment in the portfolio.
   a. -1
   b. -0.5
   c. 0
   d. +1

13. Which one of the followings is used to calculate NEPSE Float index?
   a. Total market price per shares of NEPSE
   b. Total market value of shares of NEPSE
   c. Total market capitalization of publicly floated shares of NEPSE
   d. Total price relatives of NPESE

14. A type of an account where shares and securities are held electronically to enable trading transaction & settlements in stock exchange, thereby eliminating the need of physical financial instrument is:
   a. Current account
   b. Margin account
   c. Demat account
   d. All of the above

15. Bill, Jim and Shelly are all looking to buy the same stock that pays dividends. Bill plans on holding the stock for one year. Jim plans on holding the stock for three years. Shelly plans on holding the stock until she retires in 10 years. Which one of the following statements is correct?
   a. Bill will be willing to pay the most for the stock because he will get his money back in one year when he sells.
   b. Jim should be willing to pay three times as much for the stock as Bill because his expected holding period is three times as long as Bill's.
   c. Shelly should be willing to pay the most for the stock because she will hold it the longest and hence she will get the most dividends.
   d. All three should be willing to pay the same amount for the stock regardless of their holding period.

16. Everything equal, which variable is negatively related to intrinsic value of a company?
   a. D_1
   b. D_0
   c. k
   d. g

17. A coupon bond that pays interest annually is selling at par value of 1000 matures in, 5 years, and has a coupon rate of 9%. The yield to maturity on this bond is:
   a. 8 %
   b. 8.3 %
   c. 9 %
   d. 10 %

18. A purely passive strategy is defined as
   a. holding a well diversified portfolio for short term with buy and hold approach
   b. holding a well diversified portfolio for long term with buy and hold approach
   c. holding a well diversified portfolio for short term with buy and sell approach
   d. holding a well diversified portfolio for long term with buy and hold sell approach

19. Jensen's performance index gives the importance
   a. To the assets combination
   b. Professional management
   c. The market condition
   d. The predictive ability of manager

20. The chartist believes that charts:
   a. Spot the current trend for buying and selling
   b. Indicates the future action to be taken
   c. Shows the past historic movement
   d. All the above

A. S.

Mid-West University
Examinations Management Office
Chance Examination-2078
Surkhet, Nepal
Master of Business Administration (MBA)
Semester – IV

Subject: Security Analysis and Portfolio Management | Course Code: MGT 548/FIN 548
Full Marks: 100 Pass Marks: 50 | Time: 4: 00 Hours

You are required to answer in your own words as far as applicable. The figures in the margin indicate full marks.

SECTION B: SHORT ANSWER QUESTIONS (5 X 6 = 30 MARKS)

*Answer any **FIVE** questions:*

1. Briefly describe the different types of risk and mention why beta risk (β) calculated in CAPM measures only systematic risk.
2. Consider a five-year pure discount bond with a face value of Rs. 1000 that yields 10% compounded annually. What is the maximum price will you pay for this bond now? What would be its price if interest rate rise to 11% or falls to 9%? How does interest rate affect the price of bond?
3. Write in short about technical analysis and fundamental analysis. How can you link technical analysis and fundamental analysis with three forms of '*Efficient Market Hypothesis*'?
4. If you invest in the right shares of a company, is it primary market investment or secondary one? Justify. How does listing of a company in a stock exchange help investors?
5. "There is nothing wrong with making money but its how you make the money that counts." Comment on the statement.
6. The following information describes the expected return and risk relationship for the stocks of WAH's computers:

Expected return on Treasury bill	7%
Expected return on market portfolio	15%
Standard deviation on market portfolio	20%

Using only the data shown above:

a) Draw and label a graph showing the Security Market Line and also position the WAH's computers stock that has systematic risk coefficient beta of 1.25 relative to it. [3]

b) Would you consider that WAH's computers stock to be an attractive investment, if the expected rate of return for the stock is forecasted to 14% by an independent estimator? In a market that is striving toward equilibrium, what would happen to the price of stock? [3]

7. Gentry Can Company's (GCC) latest annual dividend of Rs.1.25 a share was paid yesterday maintaining its historic rate of growth. You plan to purchase the stock today because you believe that the dividend growth rate will increase to 12 percent for the next three years and then settle to 8 percent per year forever.

a. How much should you be willing to pay for the GCC stock if you require a 12 percent return? [3]

b. What is the maximum price you should be willing to pay for the GCC stock if you believe that the 8 percent growth rate can be maintained indefinitely and you require a 12 percent return? [2]

c. If the 8 percent rate of growth is achieved, what will the price be at the end of Year 3, assuming the conditions in Part b? [1]

SECTION C: LONG ANSWER QUESTIONS (2X15 = 30 MARKS)

*Answer any **TWO** questions:*

8. Money managers and mutual funds regularly need to evaluate their portfolio performance. Why is portfolio performance evaluation important for such institutions? Briefly describe the three methods of

portfolio performance evaluation with formula. Differentiate between Sharpe's measure and Treynor's measure and discuss which method could be more effective.

9. Mr. Rabindra owns a portfolio with the following characteristics. (Assume that returns are generated by two factor model):

Portfolios	Expected return $E(R_i)$	b_{i1}	b_{i2}
A	11%	1.2	0.2
B	12.4%	2	-0.4
C	10.8%	0.8	0.4

Likely, it is assumed that portfolio E exists with the following risk return characteristics:

Portfolios	Expected return $E(R_i)$	b_{i1}	b_{i2}
E	15%	2	-0.25

a. What is the equation that describes the equilibrium return for Mr. Rabindra? [10]
b. What arbitrage opportunities are present? Show how Mr. Rabindra can make profit from them. [5]

10. I) Following is the market information for the securities of three companies:

Stock	2017		2018		2019	
	No. of Share	Price	No. of Share	Price	No. of Share	Price
A	2000	150	6000	70	6000	70
B	6000	80	6000	90	6000	100
C	4000	90	4000	100	4000	70

There have been 3 for 1 stock split in stock A stock during 2017.

a. Determine the price weighted index for each year using Dow Jones Industrial Average. [3]
b. Determine the value weighted index for each year using standard and poor's index (S&P) with base value of 100. [3]
c. Determine the equally weighted index for each year with base value of 100. [3]
d. Briefly discuss the differences in the results for the three stock indexes. [1]

II) Mr. Y purchased a bond with a Rs. 1000 face value, a 10 percent coupon rate and four years to maturity. The bond makes annual coupon payments, the first to be received a year from today. Mr. Y paid Rs. 1080 for the bond.

a. What is the bond's Yield to Maturity (YTM)? [3]
b. Calculate the duration of the bond. [2]

SECTION D: CASE STUDY (20 MARKS)

11. *Read the **Case** given below and answer the following questions:*

Saving and investment are the two parts of same coin. Normally, when a country's economic growth rate is high, financial institutions tend to enjoy the huge amount of saving as deposits. Capital formation and investment activities increase during the higher economic growth. Due to the increasing activities in the capital market, the indicators also go up. However, the current situation is different.

If we observe in the capital market, we can see the rally. Almost every indicator is in all time high points. The average daily trading volume in NEPSE increases from about NRs. 300 million to NRs. 5 billion. Number of investors in primary and secondary market increase significantly. More than 1.5 million people applied for shares in a recent IPO of a company which is near to 5 times high compared to one year earlier IPO. Amount of market capitalization increases near to the annual GDP of the country. Some of such capital market indicators for last five fiscal years and half of current fiscal year are presented in the following table.

Major indicators of Secondary Market						
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21 (six months)

Trading Amount (Billion)	163.96	205.02	121.39	110.08	150.04	422.25
No of shares traded (Million)	302.02	392.88	293.82	387.51	428.52	1074.26
Market Capitalization (Billion)	1890.13	1856.83	1435.13	1567.50	1792.76	3079.94
No of Listed Companies	229	208	196	215	212	215
NEPSE Index	1718.15	1582.67	1212.36	1259.02	1362.35	2286.55

Source: www.nepalstock.com.np

However, the economic indicators are not showing better situation. As per World Bank data, the economic growth rate Nepal for FY 2018-19 was 7%, however due to COVID-19 effect, the estimated growth rate of Nepal for FY 2019-20is 0.2% and it is forecasted to be 0.6% for current fiscal year. The economy is mostly dependent on remittance income. Volume of trade deficit is very high and total export volume is less than 10% of the total import. Almost every consumable goods and services are imported. There is very low foreign direct investment and due to the COVID 19 effect, the revenue from tourism sector is almost zero. The capital market figures are volatile and the total market is hugely concentrated on bank and financial institutions. Speculators are more active than long term investors. All of sudden, Nepal is facing uncertain political situation.

The presented data and facts show adverse situation for Nepalese economy with low level of investment in real sector, low growth rate, huge trade deficit and negligible export. However, the capital market indicators are showing very influencing figures. This could create risk in the market as well as in the economy.

On the basis the of above facts and figures, as well as a student of Finance, answer the following questions:

a. Briefly discuss the available investment alternatives in Nepalese economy and discuss the possible systematic risk you observe. [4]

b. Can you invest as per diversified portfolio theory to reduce risk while investing in Nepalese capital market? Point out the causes. [3]

c. Name any six institutions involved in Nepalese capital market. Write few problems you observe in the market and suggest for the solutions. Do you think the problems in economy as mentioned above will be reflected in the capital market? [7]

d. Suppose you have to suggest your friend to invest NRs. 1000000 in stock market, which sector will you suggest to form a better portfolio. Do you think fundamental analysis and technical analysis will be helpful to make investment decisions? [4]

e. Will you suggest for speculation or long term investment in this current situation? [2]

THE END

Mid-West University

Examinations Management Office

Surkhet, Nepal

Chance Examination-2078

Master of Business Administration (MBA)

Semester - IV

R.N....................

Subject: Service Marketing — Course Code: MGT 554/MKT 548

Full Marks: 100 Pass Marks: 50 — Time: 4: 00 Hours

SECTION A: MULTIPLE CHOICE QUESTIONS (1 × 20 = 20 MARKS)/ (TIME: 20 MINUTES)

*Tick the **best** answer*

1. The most distinct characteristic of services is____________
   a. Intangibility
   b. Inseparability
   c. Variability
   d. Perishability
2. __________describes the employees' skills in serving the client.
   a. Internal Marketing
   b. External Marketing
   c. Relationship marketing
   d. Interactive marketing
3. Top firms audit service performance by collecting _________ measurements to probe customer satisfiers and dissatisfies.
   a. Customer satisfier
   b. Customer complaint
   c. Voice of the customer
   d. Psychological
4. Successful service companies focus their attention on both their customers and their employees. They understand __________________, which links service firm profits with employee and customer satisfaction.
   a. Internal marketing
   b. Service-profit chains
   c. Interactive marketing
   d. Service differentiation
5. The most important determinant of service quality is :
   a. Responsiveness
   b. Reliability
   c. Assurance
   d. Empathy
6. A tool for assessing the level of service quality based on the difference between users expectations and the service experience delivered is:
   a. The service dashboard
   b. The service quality gap model
   c. The balanced scorecard
   d. The information value model
7. Attributes where consumers can evaluate only during or after the consumption process is known as:
   a. Credence qualities
   b. Experience qualities
   c. Search qualities
   d. None of the above
8. Five principle dimensions to judge service quality are......
   a. Reliability, responsiveness, assurance, empathy, tangibles
   b. Reliability, response, assurance, empathy, tangibles
   c. Reliability, responsiveness, assurance, empathy, targets
   d. Reliability, responsiveness aspects, empathy, tangibles
9. A firm's reaction to a customer complaint that results in customer satisfaction and goodwill is called a:
   a. service recovery paradox
   b. service recovery
   c. critical incident
   d. moment of truth
10. __________ is an attitude formed by a long-term, overall evaluation of a firm's performance.
    a. Customer satisfaction
    b. Negative disconfirmation
    c. Positive disconfirmation
    d. Service quality

11. Service marketing becomes difficult because of :
   a. Intangibility
   b. No demand
   c. More complex market
   d. Difficult to enter the market
12. The mental energy spent by customers to acquire service is referred to as..................
   a. image costs
   b. monetary price
   c. energy costs
   d. psychic costs
13. Inventory of a service is not possible because of...................
   a. inseparability
   b. intangibility
   c. homogeneity
   d. perishability
14. Which one of the followings strategies increases the supply of service available to consumers?
   a. The use of creative pricing strategies
   b. The use of reservation systems
   c. Capacity sharing
   d. Developing complementary services
15. Customer satisfaction can be defined by comparing.......................
   a. predicted service and perceived service
   b. predicted service and desired service
   c. desired service and perceived service
   d. adequate service and perceived service
16. Focusing the firms marketing efforts toward the existing customer base is called.....................
   a. excellent customer service
   b. conquest retention
   c. customer retention
   d. courteous retention
17. The consumer decision process consists of:
   a. Stimulus, problem awareness, and purchase stages
   b. Pre-purchase, consumption, and post-purchase stages
   c. Problem awareness, evaluation of alternatives, and post-purchase behavior
18. Stimulus, information search, and post-purchase behavior the zone of tolerance is defined by the difference between.....................
   a. expected service and desired service
   b. predicted service and desired service
   c. desired service and adequate service
   d. predicted service and perceived service
19. Which one of the followings is not a step in the construction process of a service blueprint?
   a. Obtaining scripts from both customers and employees
   b. Segmenting customers based on the content of the script
   c. Identify the steps in the process where the system can go awry
   d. Calculating the time frame for the service execution
20. Calculating the time frame for the service execution a buyer's perception of value is considered a trade-off between...........................
   a. product value and psychic cost
   b. total customer value and total customer cost
   c. image value and energy cost
   d. service value and monetary cost

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Master of Business Administration (MBA)

Semester - IV

Subject: Service Marketing
Full Marks: 100 Pass Marks: 50 | Course Code: MGT 554/MKT 548
Time: 4: 00 Hours

You are required to answer in your own words as far as applicable. The figures in the margin indicate full marks.

SECTION B: SHORT ANSWER QUESTIONS (5X6=30 MARKS)

*Answer any **FIVE** questions:*

1. In segmentation of any service, what are the most common bases to use? Provide the examples for each of those bases.
2. How can service firms build brand equity? How is branding used in services marketing? Discuss with some examples.
3. Discuss the 5Ws used in service communication along with the integrated service communications model used in any service business.
4. How can frontline employee be effectively motivated to deliver service excellence? Explain.
5. Describe search, experience, and credence attributes of service business, and give an example of each.
6. Explain the key factors driving place and time decisions of service distribution.
7. Why is the pricing of services more difficult as compared to the pricing of goods?

[illegible]

*Answer any **TWO** questions:*

8. Identify two service businesses that you used several times but have now stopped to buy. Evaluate the strengths and weaknesses of two loyalty programs, each one from different businesses. Access how each program could be improved further.
9. Explain the relationships between service quality, productivity and profitability. Taking the example of your own business, discuss the possible gaps that can occur in service quality, and the steps that service marketers can take to prevent them.
10. The solution to price competition is to develop a differentiated offer, delivery, and image to survive in intense competition. As a manager in service sector, develop your strategies and explain them with examples to differentiate offer, deliver, and image of your service.

[illegible]

11. Read the **Case** given below and answer the following questions:

Southwest Airlines

Southwest Airlines entered the airline industry in 1971with little money but lots of personali[illegible] Marketing itself as the LUV airline, the company featured a bright red heart as its first logo and relied on outrageous antics to generate word of mouth and new business. Flight attendants in red-orange hot pants served Love Bites (peanuts) and Love Potions (drinks).As Southwest grew, its advertising showcased its focus on low fares, frequent flights, on-time arrivals, top safety record, and how bags fly free.

Southwest's business model is based on stream lining its operations, which results in low fares and satisfied consumers. The airline takes several steps to save money and passes the savings to customers through low fares. It flies over 3,100 short, "point-to-point" trips in a day—shuttling more passengers per plane than any other airline. Each aircraft makes an average of 6.25 flights a day, or almost12 hours each day.

Southwest grows by entering new markets other airlines over price and under serve. The company believes it can bring fares down by one-third to one-half whenever it enters a new market, and it expands every market it serves by making flying affordable to people who could not afford it before. Southwest currently serves 68 cities in35 states, usually secondary cities with smaller airports that have lower gate fees and less congestion—another factor that leads to faster turnaround and lower fares. Another unique cost savings strategy is Southwest's decision to operate Boeing 737s for all its flights. This simplifies the training process for pilots, flight attendants, and mechanics and management can substitute aircraft, reschedule flight crews, or transfer mechanics quickly.

Southwest's biggest cost savings technique and competitive advantage has long been its program to hedge fuel prices by purchasing options years in advance. Many of its long term contracts allow the airline to purchase fuel at $51per barrel, a significant savings especially during the oil shocks of the 2000s that drove oil past $100 per barrel. Southwest has pioneered services and programs such as same-day freight service, senior discounts, Fun Fares, and Ticketless Travel. It was the first airline with a Web site, the first to deliver live updates on ticket deals, and the first to post a blog

Southwest has been ranked by Fortune magazine as the United States' most admired airline since 1997; the fifth-most admired corporation in 2007, and one of the top five best places to work. Its financial results also shine: the company has been profitable for 37 straight years. It has been the only airline to report profits every quarter since September 11, 2001, and one of the few with no layoffs amid a travel slump created by the slow economy and the threat of terrorism.

Questions:

a. What is the main unique selling proposition (USP) of Southwest Airlines? [4]

b. Discuss the differentiation and positioning strategy of Southwest Airiness. [4]

c. Do you think it's a good idea to purchase fuel in advance? Write your answer in context of present fuel price. [6]

d. Southwest has mastered the low-price model and has the financial results to prove it. Why don't the other airlines copy Southwest's model? [6]

THE END

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Examinations Management Office

Surkhet, Nepal

Chance Examination-2078

Master of Business Administration (MBA)

Semester - IV

A.S'

R.No......................

Subject: Financial Institution and Market
Course Code: MGT 546/FIN 546

Full Marks: 100 Pass Marks: 50
Time: 4: 00 Hours

SECTION A: MULTIPLE CHOICE QUESTIONS (1 × 20 = 20 MARKS)/ (TIME: 20 MINUTES)

Tick the best answer:

1. Money market where debt and stocks are traded and maturity period is more than a year is classified as:
   a. Shorter term markets
   b. Capital markets
   c. Counter markets
   d. Long-term markets
2. In capital markets, major suppliers of trading instruments are:
   a. Government and corporations
   b. Liquid corporations
   c. Instrumental corporations
   d. Manufacturing corporations
3. The yield curve shows at any point in time:
   a. The relationship between the yield on a bond and the duration of the bond
   b. The relationship between the coupon rate on a bond and time to maturity of the bond
   c. The relationship between yield on a bond and the time to maturity on the bond
   d. All of the above
4. Which one of the followings is not a depository institution?
   a. Commercial banks
   b. Saving institutions
   c. Credit unions
   d. Insurance company
5. Which one of the deposits gives highest rate of interest?
   a. Current deposit
   b. Fixed deposit
   c. Recurring deposit
   d. None of these
6. Transaction cost of trading of financial instruments in centralized market is classified as:
   a. Flexible costs
   b. Low transaction costs
   c. High transaction costs
   d. Constant costs
7. Markets in which derivatives are traded are classified as:
   a. Assets backed market
   b. Cash flow backed markets
   c. Mortgage backed markets
   d. Derivative securities markets
8. Transaction cost of trading of financial instruments in centralized market is known as:
   a. Flexible costs
   b. Low transaction costs
   c. High transaction costs
   d. Constant costs
9. Which one of the followings is an example of direct tax?
   a. Sales tax
   b. Commodity tax
   c. Income tax
   d. None of these
10. Composite value of traded stocks group of secondary markets is classified as:
    a. Stock index
    b. Primary index
    c. Stock market index
    d. Limited liability index
11. Indexes in which the price of stock of companies listed in stock market index added together and divided by an adjusted value are classified as:
    a. Herring indexes
    b. Group indexes
    c. John indexes
    d. Dow Indexes

12. Which one is the monetary policy instrument of central banks?
  a. The money multiplier
  b. The reserve ratio
  c. The GDP deflator
  d. The inflation rate
13. In capital markets, major suppliers of trading instruments are:
  a. Government and corporations
  b. Liquid corporations
  c. Instrumental corporations
  d. Manufacturing corporations
14. The yield curve shows at any point in time:
  a. The relationship between the yield on a bond and the duration of the bond
  b. The relationship between the coupon rate on a bond and time to maturity of the bond
  c. The relationship between yield on a bond and the time to maturity on the bond
  d. All of the above
15. The term structure of interest rates is:
  a. The relationship between the rates of interest on all securities
  b. The relationship between the interest rate on a security and it's time to maturity
  c. The relationship between the yield on a bond and its default rate
  d. All of the above
16. Speed with which prices of stocks are adjusted to unexpected news related to interest rates is called:
  a. News efficiency
  b. Adjusted efficiency
  c. Expected efficiency
  d. Market efficiency
17. If the central bank buys financial securities in the open market to increase the monetary base, this is an example of ...
  a. lender of last resort
  b. financial intermediation
  c. open market operations
  d. financial regulation
18. A 14-day repurchase agreement of Treasury 8% 2007 Units of .... must be listed on the stock exchange.
  a. Open ended fund
  b. Closed ended fund
  c. Hedge fund
  d. Liquid fund
19. A bank is solvent as long as it ....
  a. has enough capital to pay off depositors
  b. has mostly good loans
  c. does not experience a run on its deposits
  d. is able to meet all demands by depositors for payment
20. Companies take savings as premium, invest in bonds and make the payments to beneficiaries are classified as:
  a. debit unions
  b. life insurance companies
  c. credit unions
  d. auto purchases

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Master of Business Administration (MBA)

Semester - IV

Subject: Financial Institution and Market | Course Code: MGT 546/FIN 546

Full Marks: 100 Pass Marks: 50 | Time: 4: 00 Hours

You are required to answer in your own words as far as applicable. The figures in the margin indicate full marks.

SECTION B: SHORT ANSWER QUESTIONS (5X6 = 30 MARKS)

*Answer any **FIVE** questions:*

1. Examine the major roles of Nepal Stock Exchange. List the important Stock Exchanges operating across the world and also highlight the various types of stock market indices.
2. Examine how the money market provides a means for lenders and borrowers to satisfy their short-term financial needs.
3. How do central bank and monetary policy relate with each other? Examine the roles of Central Bank to facilitate the microfinance in Nepal.
4. How do you explain the term structure of interest rates? Explain the interest rates vary through time because inflation rates are expected to differ through time.
5. Determine the various roles of depository financial institutions and non depository financial institutions to grow the financial market. Highlight the scope of depository financial institutions in Nepalese context.
6. Identify the various forms of capital market securities, and derivative securities. Explore how they relate and differ with each other with examples.
7. What are the various credit risk for financial institutions? Explain how the credit crisis led to concerns about systemic risk.

SECTION C: LONG ANSWER QUESTIONS (2X15 = 30 MARKS)

*Answer any **TWO** questions:*

8. Monetary policy is a policy statement, through which central bank targets a key set of indicators to ensure price stability in the economy. Explain the concept of Money Supply. What are the tools the central bank can use to achieve the price stability objective of the monetary policy?
9. How do you think the mutual fund and investment bank are interrelated with each other? Examine the following statement and highlight the reasons for investing through mutual funds and benefits of mutual funds on the light of the concept "Mutual Fund is the most suitable investment for the common man as it offers an opportunity to invest in a diversified, professionally managed basket of securities at a relatively low cost".
10. Investment Banking is a combination of Banking and consultancy services. It helps expand and modernize the business and give expert advice on mergers, acquisition and takeovers, diversification of business, foreign collaborations. It helps restructure a business, assist to revive sick business units and markets the securities they are initially sold. On the backdrop explain the functions of investment banking. How do the investment Banks Facilitate New Stock Issues?

SECTION D: CASE STUDY (20 MARKS)

11. *Read the **Case** given below and answer the following questions:*

Issues on Nepalese financial System and NRB

Turning to the question of supervision of the financial system, the 'soundness' of money is dependent not only on the maintenance of the purchasing power of money but also on confidence in individual banks and in the banking and financial sector as a whole, and hence on the adequacy of supervision of that sector. It is this idea which leads to the proposition that the central bank should also have a supervisory role. It is possible to argue that there is no short-term gain available to politicians from the supervisory function in the same way that there is from generating inflation through a relaxed monetary policy. Thus, the supervisory role may be placed in the hands of a non-independent government agency while the independent central bank is left to deal only with monetary policy. It has been argued, indeed, that the separation of the monetary policy and supervisory roles has positive advantages for the control of inflation since where central banks are not involved in bank supervision, financial sector representatives will be less inclined to lobby central banks for easier monetary policy to reduce the regulatory burden on banks and financial companies. Whether this is true or not, under present circumstances, the separation of the two roles does not matter; however, if an attempt is made to recapture monetary policy for the political system they would need to be brought together. Even if they are kept separate, it should be conceded that the two roles are complementary and that the supervisory role is at least as important. Whoever carries out the supervisory role, severe problems emerge with respect to the power of the supervisor to control the banking and financial sector. Here, two difficulties stand out immediately. The first one relates to competitive deregulation. No single authority is in a position to exercise firm control over the sector, for fear that the market will simply move to other financial centre. The other difficulty is the lack of information held by supervising authorities. Financial markets continue to evolve so rapidly and capital moves with such ease that there is only a slight possibility that the authorities can know precisely what is happening. The role of the central bank, is therefore, not so much as one of controlling the market as it is one of limiting the damage to the reputation of the market and containing the fallout, when things go wrong. Putting together what is happening to monetary policy and the way in which financial markets are developing produces a paradox. At a time when more and more attention is being drawn to central banks and the demand for their independence from the government is growing, implying that central banks have considerable power which cannot be trusted to politicians, they are being shown to be virtually impotent. The debate over the form of control of central banks seems then to be barely relevant to the question of control of economic policy and of economies. The question of why politicians everywhere, and also bureaucrats in our context, seem to be adopting central bank independence with such enthusiasm in most cases can be addressed here. One possible answer is that they are aware that, in allowing central bank independence, they are merely giving up a nominal power—a power which has, in effect, already been lost to the markets. Thus, they lose nothing but gain by publicly shifting responsibility for the control of inflation on to a non-elected body.

Recently, banks are facing a liquidity crunch. A few years ago the banking sector had problems of excessive liquidity. Nepal's overall banking sector is weak regarding the problems related to liquidity despite certain progress. The state of banks has been unstable in recent years. The liquidity problems of financial institutions are yet to improve. According to figures released by Nepal Bankers Association (NBA), the umbrella organization of 28 commercial banks of the country, commercial banks have a combined Rs 41.61 billion (rupees) left for lending (approximately $640 million). Out of this, Rastriya Banijya Bank Ltd (RBBL), a government owned bank, holds Rs 24.78 billion, while remaining 27 commercial banks have only Rs 16.83 billion which can be used for credit purposes. An ideal bank should always keep its deposits more than its grants. Financial institutions came into this state of liquidity crunch because of their negligence on maintaining this deposits/grants balance.

There has been exponential growth in the number of financial institutions in Nepal in the last decade. The existing legal framework and institutional setup in Nepal was not conducive to the overall financial sector and private sector development. Banks and financial institutions established and licensed without long-term planning have started to fold back after the World Bank and IMF guided the Nepal Rastra Bank (NRB) to reduce the number of financial institution. They suggested making few but stronger institutions rather than many weak institutions. NRB developed policies and guided banks and financial institutions to strengthen their position. Some policies, like an increase in the level of capital to establish and continue a bank and encouragement of mergers and acquisitions of banks, are developed to overcome the problems. As a result, numbers of banks started decreasing and strengthening their capital and position. In 2014 there were 30 Commercial Banks, 84 Development banks and 53 Finance Companies. In 2015 there were 30 Commercial Banks, 76 Development banks and 48 Finance Companies. According to more recent data, there are 28 Commercial Banks, 55 Development Banks and 38 Finance Companies.

Required:

a. Discuss the following statement "the role of the central bank, not so much as one of controlling the market as it is one of limiting the damage to the reputation of the market and containing the fallout, when things go wrong"
b. Examine the real life Nepali Cases of Bank and Financial Institutions and explore what has made the reduction in numbers of Commercial Banks in Nepal in recent period of time..
c. Based on the above explanation what would you suggest about the role of NRB at Karnali Province of the country?

THE END

Mid-West University
Examinations Management Office
Chance Examination-2078
Surkhet, Nepal
Master of Business Administration (MBA)
Semester – IV

R.No.........................

Subject: Compensation and Benefit Management — Course Code: MGT 549/HRM 546
Full Marks: 100 Pass Marks: 50 — Time: 4: 00 Hours

SECTION A: MULTIPLE CHOICE QUESTIONS (1 × 20 = 20 MARKS)/ (TIME: 20 MINUTES)

Tick the ***best*** *answers*

1. Which one of the followings is not the objective of compensation?
   a. To attract potential job applicants by providing sufficient compensation.
   b. To retain qualified and competent employees by paying them more than what competitors are paying for similar positions.
   c. To motivate employee by compensating on the basis of their performance.
   d. To administer pay without considering legal regulations for avoiding any sort of legal violation.
2. Which one is the systematic approach to providing monetary value to employees?
   a. Salary
   b. Compensation
   c. Bonus
   d. Wage
3. Compensation is a systematic approach to providing monetary value to employees in exchange for ___________.
   a. Skills
   b. Work performed
   c. Knowledge
   d. Damages held
4. The two considerations in traditional approach to compensation management are ....
   a. Monetary and non-monetary
   b. Internal and external
   c. Allowances and rewards
   d. None of the above
5. _______________ compensations are given at a regular interval at a definite time
   a. Monetary
   b. Internal
   c. Traditional
   d. External
6. The collection of data consisting compensation rates of all the workers, who perform similar jobs in other organizations are classified as
   a. KSA survey
   b. Pay survey
   c. Job survey
   d. Skills survey
7. Which one of the following theories is also known as "iron law of wages'?
   a. Wage fund theory
   b. Surplus theory of wages
   c. Subsistence theory of wages
   d. Marginal theory of wages
8. The performance appraisal method in which evaluations are made by oneself, supervisors, employees, team members, customers, suppliers and the like stakeholders is called …
   a. Checklist appraisal.
   b. The critical incident appraisal.
   c. 360° appraisal.
   d. Management by objective appraisal
9. Which one of the followings is not a component of executive compensation?
   a. Annual core compensation
   b. Stock compensation
   c. Overtime and minimum wages required under the Fair Labor Standards Act
   d. Enhanced protection program benefits and perquisites

10. Which one of the followings is the primary reason companies offer their employees vacation benefits?
   a. To ensure income replacement for employees when a temporary or permanent disability arises from an injury or extended illness.
   b. To save food allowance of employees who take vacation benefits.
   c. To reward employees who outperform at work.
   d. To allow employee a break from work in which they can refresh and reenergize themselves.
11. Which one of the followings is a merit of flexible benefits program?
   a. Employees may make bad choices and find themselves not covered for emergencies.
   b. Administrative costs of flexible programs can be burdensome.
   c. Employees can choose the package that suits them best, and the firm can adapt to worker's changing needs.
   d. Employer's have to price and periodically update each employee's package.
12. Compensations are provided to employees for their:
   a. Skills
   b. Knowledge
   c. Work done
   d. Contract of work
13. Pension is:
   a. Indirect compensation
   b. Direct compensation
   c. Non fringe benefits
   d. None of the above
14. Why do you think compensation management is poor in an organization in the context of Nepalese organizations?
   a. Weak regulation
   b. Weak financial ability of a firm
   c. Exploitation of employers
   d. Incompetent workforce
15. Which one of the followings is not a component of discretionary benefits?
   a. Income protection programs
   b. Health protection programs
   c. Pay for knowledge programs
   d. Paid time off
16. Minimum wage determination committee is formed by:
   a. Trade union
   b. Company
   c. Parliament
   d. Ministry of labour
17. Choose an incorrect statement.
   a. Incentive plan includes both monetary and non-monetary schemes.
   b. It is based on employee's performance.
   c. Every employee deserves incentive irrespective of financial position of firm.
   d. Incentive must create stimulating impact on employees.
18. What are the objectives of non-monetary rewards?
   a. To support the achievement of organizations strategic and short term objectives.
   b. To help to communicate the organization's values and performance expectations
   c. To encourage value-added performance by focusing performance pay and gain sharing schemes
   d. All of the above
19. Which one is the external factor affecting compensation?
   a. Employees competencies
   b. Company profit performance
   c. Government regulations
   d. Leadership attitude
20. Which one is the highest amount of wage?
   a. Minimum wage
   b. Living wage
   c. Fair wage
   d. Nothing can be said.

Mid-West University

Examinations Management Office

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Chance Examination-2078

Master of Business Administration (MBA)

Semester - IV

Subject: Compensation and Benefit Management
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Full Marks: 100 Pass Marks: 50
Time: 4: 00 Hours

You are required to answer in your own words as far as applicable. The figures in the margin indicate full marks.

SECTION B: SHORT ANSWER QUESTIONS (5X6=30 MARKS)

*Answer any **FIVE** questions:*

1. What is the role of performance appraisal in compensation? [6]
2. How can compensation be used as a retention strategy? [6]
3. Define gratuities. What are the major provisions of provident funds and gratuities in Nepalese laws? [2+4]
4. Define compensation. Describe briefly the major elements of compensation. [2+4]
5. Should the job evaluation depend on an appraisal of the job holder's performance? Why? Why not? [6]
6. Which one component of compensation is the most essential one to motivate executives to lead companies toward competitive advantage? Discuss your rationale. [6]
7. Write short notes on any two of the followings: [3+3]
   a. Job evaluation
   b. Wage matrix
   c. Collective bargaining

SECTION C: LONG ANSWER QUESTIONS (2X15=30 MARKS)

*Answer any **TWO** questions:*

8. How are the roles of trade unions in determining wages in Nepalese industries analyzed? Why do you think the wage issues in Nepal are matters of contention? Discuss with examples. [5+10]
9. What do you understand by minimum wage? Describe the major provisions relating minimum wage determination in Nepal. [3+12]
10. Indicate whether you agree or disagree to the following statement: "Individual incentive plans are less preferable than group incentives and companywide incentives". Explain your answer. [15]

SECTION D: CASE STUDY (20 MARKS)

11. Read the **Case** given below and answer the following questions:

Mr. Samrat Bhandari joined Force Auto Ltd., Nepal as HR Manager. Force Auto Ltd., is a manufacturer and supplier of safety critical automotive components which finds application in steering and suspension assemblies of passenger cars. It supplies to major companies in India and Nepal. The company has modest turnover of 40 crores annually and is in business for the last 20 years.

Samrat was very enthusiastic and wanted to bring about many changes in the HR policies and systems of the organization. He began by studying the various systems and practices in place. During a conversation with Mr. S.N. Shrestha, the head of production, he found that the productivity of the work force was lower than its competitors, with this cue; he started looking at HR Practices in place.

He noted that the compensation management in the organization hovered around rewarding individual performance although the nature of work was team based.

So, one of the first things Samrat wanted to do in his new position at Force Auto Ltd., was to improve productivity through team work at every level of organization. As the new HR manager Samrat set out to change the culture to accommodate the Team based approach to compensation. He has become so enthusiastic in his most recent position.

Samrat decided to change Force long standing policy had been to give all employee the same annual pay increase but felt that in the new team environment, outstanding performance should be the criteria for pay rises. After consulting with CEO VikasMalla, Samrat sent a memo to all employees announcing the change to team based pay for performance.

The reaction was immediate and hundred percent negative. None of the employees was happy with the change. They thought that this will result partially in rewarding employees given that the performance appraisal system in the organization is quite old and primitive. Some of the shop floor supervisors started suspecting the intentions of the new HR Manager as they thought that pay for performance was a veil to disturb the harmony prevailing amongst the employ employees. Samrat and Vikas arranged a meeting for early the next morning in his office over their tea, they began a painful debate.

Questions:

a. Why was there a negative feeling towards the new proposed system? [5]
b. Discuss what suggestions you would give to the organization. Should the new policy be retracted or allowed to stand? Why? [15]

THE END