

[This question paper contains 4 printed pages.]

Sr. No. of Question Paper : 4113

Roll No.....

Unique Paper Code : 101533

Name of the Paper : **Investment Analysis and Portfolio Management
(503, F-1)**

Name of the Course : **Bachelor of Business Studies (BBS), 2015**

Semester : V

Duration : **3 Hours**

Maximum Marks : 75

Instructions for Candidates

1. Write your Roll No. on the top immediately on receipt of this question paper.
2. Attempt any **five** questions and answer all parts of each question together.
3. Show all rough work on the answer sheet.

1. (a) The fair price of a 9% bond with 3 years to maturity when market yields are 8% is Rs. 94.24. Estimate the new price using modified duration if there is a 1% reduction in interest rates. Explain why this method should not be used for very large changes in interest rate. (4+3)
- (b) Explain any one test for the semi strong form of the efficient market hypothesis. (4)
- (c) A one year bond offers a nominal rate of return of 12%, if expected inflation is 10% what is the real rate of return? (2)
- (d) RBI is expected to announce an increase in interest rates. Should a long term investor invest in T-bills or in a long term government bond? Why? (2)

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2. (a) Calculate interest and debt coverage ratios for Maruti Ltd. from the following :

<u>For the year ended 31 March 2014</u>	<u>(Rs. '00 Crore)</u>
Total Revenue	445.25
Raw material and Components	313.15
Employee Expenses	13.68
Depreciation	20.84
Other Expenses	59.22
Interest	1.76
Profit before tax	36.60
Profit after tax	27.83

<u>As on 31 March 2014</u>	<u>(Rs. '00Crore)</u>
Equity & Reserves	209.78
Long term borrowing (repayable over 2 years)	4.60
Other liabilities and provisions	10.24
Current Liabilities and provisions	<u>80.74</u>
Total	<u>305.36</u>
Fixed Assets	134.11
Other assets	29.53
Current Assets	<u>141.72</u>
Total	<u>305.36</u>

(4)

- (b) Mr. X invested Rs. 1000 in a 10% two year bond and planned to reinvest the coupons to get a lump sum at the end of the period. What was his realised return if interest rates dropped to 8% after six months and remained unchanged thereafter ? (4)

- (c) In May 2013 ICRA assigned A1+ (highest rating possible for short term debt) to the Rs. 30 crore commercial paper program of Godrej Consumer Products Limited while the rating for its long term non convertible debentures of Rs. 250 crore was only AA (highest is AAA+). Explain how two debt issues of the same company can have different ratings. (4)
- (d) A 3 year bond with 10% coupon rate is currently available for Rs. 98.28. It is callable after 2 years at Rs 100. What is the yield to call? (3)
3. (a) A 15% preference share of XYZ Ltd is priced at 150, and another 17% preference share of ABC Ltd is priced at Rs. 1200. Which share is good for investment? (3)
- (b) A company paid a dividend of Rs 12 in the previous year. The dividends in the future are expected to grow perpetually at the rate of 8%. Find out the share's price today if the market capitalization rate is 10%? (3)
- (c) A company is currently paying a dividend of Rs. 8 per share. The dividend is expected to grow at a 7% annual rate for three years, then at 9% rate for the next three years, after which it is expected to grow at a 11% rate for ever. What price investors should be ready to give this share now and after five year if the capitalization rate is 14%? (5)
- (d) Explain the concept of industry life cycle in fundamental analysis. (4)
4. (a) Briefly discuss few macro economic indicators which have significant impact upon stock market. (4)
- (b) Discuss the types of industries as per business cycle? (4)
- (c) You are thinking of buying ABC Motor irredeemable preference shares of Rs. 5000 par value, currently available in Rs. 5800 that will pay a dividend of 14%. What price should you pay for the preference share if you are expecting a return of 17%? (3)
- (d) Rank the portfolio on the basis of Sharpe and Treynor. (4)

Portfolio	Return	Standard deviation	Correlation with market
X	20%	15%	0.60
Y	35%	18%	0.75
Z	40%	22%	0.85
Market Index	25%	15%	
Bank deposit rate	8%		

5. (a) A risky portfolio is made up of two stocks as follows :

Stock	Weightage	Expected Return	Variance
X	60%	0.15	0.01
Y	40%	0.10	0.0081

Correlation between X and Y = 1.

Risk – free rate of return = 0.05

Mr. Patel wants a portfolio with 11% return. How much should he invest in the risk-free asset and the risky portfolio ? What is the risk of this new portfolio ? (8)

- (b) What is the difference between CML and SML ? Explain the various stages of an investor's life cycle. (7)

6. (a) Stock A has an expected return of 7.8% and a beta of 0.7. Stock B has an expected return of 10.2% and a beta of 1.3. The risk-free rate is 5%.

(i) Plot the Security Market Line.

(ii) What is the expected return on the market ?

(iii) Stock C has a beta of 1.1. What is its expected return according to the CAPM ?

(iv) If stock C has an expected return of 9.75%, plot it on the diagram in part (i). Is it overvalued or undervalued ? (8)

- (b) What is the significance of the three types of price movements in the Dow Theory ? (7)

(400)

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Sr. No. of Question Paper : 4114

Roll No.....

Unique Paper Code : 101534

Name of the Paper : Consumer Behaviour (MI – 503)

Name of the Course : Bachelor of Business Studies (BBS), 2015

Semester : V

Duration : 3 Hours

Maximum Marks : 75

Instructions for Candidates

1. Write your Roll No. on the top immediately on receipt of this question paper.
2. Attempt All Questions.

1. For the following purchases, which model of consumer decision making will be used. Explain:

- (a) Purchase of a new line of breakfast cereal launched by Kellogg's.
- (b) Purchase of a luxury car.
- (c) Purchase of an improved version of Pampers disposable diapers with better absorbency. (5×3=15)

2. A company marketing a leading brand of yoghurt has always focused on yoghurt's nutritional benefits without considering the possibility of varying its appeal to depend on the usage situation.

- (a) Could the product benefits consumers see in yoghurt vary by the usage situations? Specify.
- (b) What are the marketing implications of the same? Explain. (5×2=10)

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3. Two manufacturers of men's clothing launch a national advertising campaign. One directs the campaign to value-expressive attitudes toward men's clothing; the other directs advertising to ego-defensive attitudes.
- (a) What differences may result from the two campaigns ?
- (b) To which type of consumers would each campaign appeal ? (5×2=10)
4. (a) What is meant by extended self? What is the link between the extended self and symbolic interactionism ? (5)
- (b) Many demographic trends can be observed in India – an increasing number of working women, higher divorce rates, smaller families, later marriages. These changes have a strategic marketing implication. With the help of examples, discuss some of them. (5)
5. (a) What do you understand by Consumer socialisation of children? What are the stages of consumer socialisation process? Also explain the role played by parents in the process. (8)
- (b) Under what circumstances would you expect income to be a better predictor of consumer behaviour than a composite measure of social class? When would you expect the composite social class to be superior? Explain with help of two examples in each case. (7)
6. Write short notes on the following (Attempt any **three**) :
- (a) Hedonic V/s Functional uses
- (b) VALS
- (c) Adopter categories
- (d) Just noticeable difference (5×3=15)

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Sr. No. of Question Paper : 4115

Roll No.....

Unique Paper Code : 101535

Name of the Paper : **Training and Management Development (503 H1)**

Name of the Course : **Bachelor of Business Studies (BBS), 2015**

Semester : **V**

Duration : **3 Hours**

Maximum Marks : **75**

Instructions for Candidates

1. Write your Roll No. on the top immediately on receipt of this question paper.
2. Attempt **All** questions. Internal choice is given in questions No. 6.

1. You are the newly hired Safety Training Manager of the chain of Kasher departmental stores with retail locations in 15 cities. On your first walk-through of a few of the stores, two things jump out at you: (i) there are many products but the salespeople are not able to address queries related to all the products and (ii) although the billing staff is doing its job well, it is not doing it as efficiently as required with a customer queue tending to build up. Describe your needs assessment and how you will go about designing the Training program to address the problem areas. (12)

2. Shine Systems, a manufacturer of small appliances automated its warehouse. Consequently, the crew was reduced to 4 from 12 but since Shine Systems had history of providing stable employment the displaced workers were put on other jobs. Jean joined as a small parts assembler in the Toasters line. The operation was very simple, all Jean had to do was to pick up two pieces of metal one in each hand, place them into a jig so that they were held together in a cross position and press a button. The riveting machine then put a rivet through both pieces and an air jet automatically ejected and joined pieces into a bin.

“This job is so simple that anybody can do it”, the foreman told Jean and quickly demonstrated the three steps. “Now you do it”, the foreman said.

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Since it was simple Jean did it right the first time. After watching him rivet two or three pieces the foreman left Jean to his work.

About three hours later the riveter started to put the rivets in crooked manner but Jean kept on working. Finally a fellow worker stopped by and said that "if you let the rivets go in crooked, the Foreman will give you hell, so hide them in the scrap". The Co-worker then showed Jean how to adjust the machine. Jean's next problem began when the air ejection system started jamming. He tried adjusting it, but ended up slipping and the rivet piercing his hand in the process. It was in the first aid station that the foreman finally had the opportunity to see Jean once again.

- (a) Comment on the strengths and weaknesses of Jean's On the Job training? (6)
 - (b) Describe any other methods of on or off the job training that might be used to train Jean? (6)
3. What is the difference between Coaching and Mentoring? You are the Training manager at Simitronics Systems. Your Sr. Manager wants you to develop an introductory program for new employees. Typically, you hire 50 new employees each year. She wants new employees to be more quickly socialized into the organization and understand the norms, culture, and business. How will you convince her to use mentoring as an option? (4+4=8)
4. What methods of training would be relevant for the following purposes? Give reasons.
- (a) Job Knowledge
 - (b) Decision Making Skills
 - (c) Interpersonal skills
 - (d) General Knowledge (4×4=16)
5. Why do training professionals need OD competencies and why do OD professionals need training competencies. Explain. (12)
6. Write short notes on any **three** : (3×5=15)
- (a) Action Research model
 - (b) Gestalt orientation of team building
 - (c) Lewin's model of Laboratory Training.
 - (d) Proactive and Reactive TNA
 - (e) Experiential Methods of Training

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Sr. No. of Question Paper : 4116

Roll No.....

Unique Paper Code : 101536

Name of the Paper : International Finance

Name of the Course : Bachelor of Business Studies (BBS), 2015

Semester : V

Duration : 3 Hours

Maximum Marks : 75

Instructions for Candidates

1. Write your Roll No. on the top immediately on receipt of this question paper.
2. Attempt any five questions.

1. (a) The quotations available in the market are as follows :

$$\text{USD/INR} = 60.7250/60$$

$$\text{GBP/USD} = 1.6590/96$$

$$\text{EUR/USD} = 1.3120/26$$

$$\text{EUR/INR} = 79.4550/60$$

$$\text{GBP/INR} = 98.1230/40$$

Calculate all possible arbitrage opportunities. Also write a short note on synthetic rate. (8+2=10)

- (b) Briefly explain the procedure to issue ADR by an Indian company. (5)

2. AB India Ltd has its wholly owned subsidiary operating in London where it maintains its account in GBP. At the end of the financial year 2013-14 the

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balance sheet and income statement presented in GBP are as follows. Translate the balance sheet and Income statements in Indian Rupee using Temporal Method and Current Rate Method. (15)

Balance Sheet (GBP million)

Cash	120
Inventory	350
Net Fixed Assets	3530
Total Assets	4000
Current liabilities	400
Long-term liabilities	1150
Common Stock	2100
Retained Earnings	350
Total Liabilities & Equities	4000

Income Statement (GBP million)

Sales	4000
COGS	2900
Depreciation	600
Net Operating Income	500
Income Tax (30%)	150
PAT	350
Foreign Exchange gain & losses	
Net income	350
Dividend	0
Addition to Retained Earnings	350

The Exchange rate of GBP/INR was 99.00 in the beginning of year which changed to 98.00 by the end of the year. The realization value of inventory was expected to be GBP 370 million.

3. (a) You are given the following information :

U.S. interest rate = 8% p.a.

Germany interest rate = 5% p.a.

Current spot exchange rate = EUR0.800/USD

Three month forward exchange rate = EUR0.7994/USD

Assume the arbitrageur can borrow upto USD 1,000,000 or the equivalent EUR amount, EUR8,00,000. Proceed stepwise and show the arbitrage gains.

- (b) If the U.S. and Switzerland are running annual inflation rates of 5% and 3% respectively, and the spot rate is CHF 1 = USD 0.75, what will be the PPP rate of the Swiss Franc in three years ?
- (c) In July, the one year interest rate is 4% on Swiss Franc and 13% on the U.S. dollar.
- (i) If the current rate is CHF = \$ 0.63, what is the expected future exchange rate in one year ?
- (ii) If a change in expectations regarding future U.S. inflation caused the expected U.S. spot rate to rise to \$0.70, what should happen to the U.S. interest rate ? Determine the new U.S. interest rate. (8+2+5=15)
4. (a) TV Corp. has payable of EUR 2000,000 in 90days. Which hedging techniques is best out of (i) Forward Market Hedge (ii) Money Market hedge (iii) Option hedge (iv) No hedge ? (12)

Spot rate of EUR as of today: Rs. 79.50

90 days forward rate of EUR as of today Rs. 80.50

Interest rates in the two countries are given as follow :

	EU	IND
90 days rates	3.0%-3.5%	8%-8.5%

A call option on EUR that expires in 90 days has an exercise price of Rs. 80.52 and a premium of Rs. 0.10.

A Put option on EUR that expires in 90 days has an exercise price of Rs. 80.53 and a premium of Rs. 0.07.

First Ltd forecasts the future spot rate in 90 days as follow.

Possible rates	Probability
Rs. 80.48	20%
Rs. 80.52	70%
Rs. 80.55	10%

- (b) Explain the Crawling peg exchange rate system. (3)
5. (a) Create the bull spread by using the following options and calculate the profit/loss of investor at the mentioned future spot rates. (6)
- Option 1 – A three month call option over £200,000 is available with Rs. 98/£ exercise price and Rs. 10/£ option premium.
- Option 2 – A three month call option over £200,000 is available with Rs. 102/£ exercise price and Rs. 5/£.
- Future spot price – Rs. 95/£; Rs. 100/£; Rs. 115/£
- (b) What is 'Mark to Market' ? How it impacts on a position of a trader ? Explain it with the help of a suitable example. (2+3+4=9)
6. (a) The annual interest rate in the India is 8%, and in Japan is 1%. The spot rate for the JPY is Rs. 0.65. If interest parity holds good, what is the 90 days forward rate ? (3)
- (b) X and Y are two parties approached to Swap Bank for a financial swap transaction. X was interested to borrow at fixed rate whereas Y at Floating rate. X had the loan available at 10.75% of fixed rate or $L + 0.5\%$ of floating rate whereas Y had the loan available at 10% of fixed rate or $L + 0.25\%$ floating rate. Show the swap arrangement, cash flow and net benefit of the swap for two years. (Assume bank charges 0.15% from each party and LIBOR stands 6% in first year and 6.5% in second years). (9)
- (c) Briefly explain the Operating exposure of a company. (3)

[This question paper contains 4 printed pages.]

Sr. No. of Question Paper : 4117

Roll No.....

Unique Paper Code : 101537

Name of the Paper : 504 (M-2) Personal Selling and Sales Force Management

Name of the Course : Bachelor of Business Studies (BBS), 2015

Semester : V

Duration : 3 Hours

Maximum Marks : 75

Instructions for Candidates

1. Write your Roll No. on the top immediately on receipt of this question paper.
2. Attempt **all** questions.

1. Read the following case carefully and answer the following questions :

Walker Computer Systems manufactures and sells office computer systems and word processors. It has enjoyed double-digit growth over the past decade because of the growing demand for office automation. Advances in technology have resulted in increasing capacity and lower prices in office PCs. As a result, the demand for office automation has exploded as smaller businesses have begun to automate their offices.

One of the consequences of this growth is that Walker has constantly had to increase its sales force, to the point where there are now more than 400 salespeople servicing the U.S. market. This has meant constant adjustments to territories, with the result that salespeople are usually given a reduced geographic area to cover. Another adjustment has been in the sales force compensation program because of increased competition and the need to reduce costs. At the same time, the selling cycle time has been decreasing steadily as primary market demand increased and people became more familiar

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with office automation technology. Just six months ago, Walker introduced a new sales compensation plan designed to place more emphasis on strategic product lines as opposed to total sales volume.

Kim Brayant is the district sales manager for the Texas district. Kim joined Walker six years ago and was promoted to district manager after four years in sales, the last two as the top salesperson in the Southern Region. Kim manages seven people who are located in Dallas, Houston, Austin, Amarillo, and San Antonio. The last person was added just nine months ago in Austin. Owing to increased demand, Kim is being asked to add another person to the Dallas-Fort Worth area. Kim's idea is to have the new person cover the Fort Worth area, while Aaron Hughes, the current Walker rep in the area, continues to service the Dallas and mid-cities (cities located between Dallas and Fort Worth) area. This is the second reduction in Aaron's area in the past year, so Aaron will not be pleased to hear of the changes. This area, however, is believed to have a lot of untapped potential and more demand than one person can cover.

Aaron Hughes currently services the Dallas-Fort Worth area for Walker Computer Systems. For the past three years, Aaron has been the top rep in the Texas district and is one of the top 10 salespeople in the company in terms of total sales volume. Aaron has turned down opportunities for promotion to management on several occasions. One reason for the decision is that Aaron would have to take a pay cut over the short term. Last year Aaron earned just over \$160,000 in commissions.

Aaron's Response

"What do you mean 'redesigning' my territory?" bellows Aaron. "Don't you really mean 'reducing' my territory? First, you take Waco away from me. That's strike one. Then you change the compensation plan so that I have to work twice as hard to make as much as I did last year - strike two. Now you want to 'redesign' my territory. That's strike three and I'm out- as in out of this company."

Kim tries to clam Aaron down and tells Aaron that he has no choice in this matter. The order came from headquarters. Aaron is not buying this and replies, "There are a lot if office companies that would like to hire the top Walker rep in the South."

Kim does not want to lose Aaron or have a disgruntled former star salesperson in the district. She is convinced that adding another person to the Dallas-Fort Worth area is the right thing to do for the business. Remember that she is the district sales manager, not the regional or national sales manager.

Questions :

- (a) Why do companies design territories ? (6)
- (b) What options are available to Walker Computer Systems to make territory changes work ? (6)
2. (a) Assume that you are a sales executive at a retail outlet that sells a wide range of laptops. A potential customer has just walked into the store and greets you "hello, my name is Ashok Kumar. I run a children garment manufacturing unit. As my business is growing I feel I can use a laptop. I know very little about laptops and I could use some advice. I have to meet a client shortly so I have only about 10 minutes. Your normal presentation about laptops takes about 30 minutes. What should you do ? (6)
- (b) If you were selling a fabric softener, what might you include in your presentation more effective ? (7)
3. (a) What are the various sources of Prospecting ? Also discuss the criteria used for qualifying prospect ? (6)
- (b) You have been hired by a CAT coaching institute with 13 branches in Delhi. They offer both classroom and distance learning courses. Give one prospect giving relevant details of each (class-room and distance course) and why they would qualify for your sales presentation ? (7)
4. Explain the difference between buyer oriented and seller oriented theories of selling using one example of each. (12)

5. Assume you are a sales executive with a company selling AUTOMATIC FIRE EXTINGUISHER SPRINKLER SYSTEMS for commercial buildings. During your sales presentations the following objections were raised...

1. Your delivery and installation is slow.
2. It's too expensive.
3. After sales service is not dependable.

How would you deal with each of them ?

(4×3=12)

6. (a) "Our firm simply wants people with good workable intelligence who can get along with other people." "We want people who make a good impression on those whom they meet." These were the replies given by managers visiting a college campus for recruitment of sales executives, when asked what they were looking for in the people they interviewed. Do you agree ? What traits do you think these managers should look for in this situation ?

(7)

(b) Recommend suitable sources of recruitment of sales personnel giving reasons for your answer for each of the following :

(i) Sales executive for credit card division of a private sector bank.

(ii) Regional sales manager (North) for a leading FMCG company.

(6)

[This question paper contains 4 printed pages.]

Sr. No. of Question Paper : 4118

Roll No.....

Unique Paper Code : 101538

Name of the Paper : **Performance and Compensation Management System (504-H2)**

Name of the Course : **Bachelor of Business Studies (BBS), 2015**

Semester : V

Duration : **3 Hours**

Maximum Marks : **75**

Instructions for Candidates

1. Write your Roll No. on the top immediately on receipt of this question paper.
2. Attempt any **Four (4)** questions from **Q.1 to Q.6**. Answering **Q.7** is compulsory for all.

1. Why should an organization have an effective performance appraisal system? Elaborate on some of the factors that affect the appraisal process. Taking examples, suggest ways through which the organization can make the appraisal system transparent and effective? How can an organization utilise the data collected as part of the appraisal process. (3+6+6)

2. Answer both Parts :

- (a) "Nearly 60 per cent of US manufacturing and service organisation employees declared their dissatisfaction with their pay. Nowadays it is commonly found that people are satisfied with their career and organisation for which they work, but compensation is something that does not mark up their expectations." Design a relevant wage system as enhancer of job satisfaction. Also discuss the consequences of dissatisfaction with existing pay system. (10)

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- (b) Most of the employers are moving from traditional performance appraisals to performance management. Contrast and compare performance appraisal and performance management. (5)

3. Answer **both** parts :

- (a) Discuss the statutory provisions for retirement benefits and the extent of their scope and coverage? (10)
- (b) "A group incentive scheme may be preferred over individual incentive scheme". Explain. (5)

4. Answer **both** parts :

- (a) "Pay for knowledge or skill based pay" is getting popular amongst compensation expert or employers. Performance & competencies are basis for payment to human resources. Elaborate in context of Competency based payment. (6)
- (b) Differentiate between :
- (i) Past and present nature of pay and rewards
 - (ii) Time based wage system and piece rate wage system
 - (iii) Base and supplementary compensation (3×3=9)

5. Answer **both** parts :

- (a) What is compensation? Elaborate on the principles of compensation management. Why is compensation management needed in today's world? (6)
- (b) "Setting compensation and wage levels is a structured process." Compare and contrast the structure and working of the Wage Boards and Pay Commissions in India. Comment on their role in the wage determination process. (9)

6. Write short notes on any **three** : (5 marks each)
- (a) Dearness Allowance
 - (b) Workforce Diversity in India: Compensation Challenges related to attracting and retaining talent
 - (c) Employee Stock Option Plans
 - (d) Rating Errors affecting performance appraisal
 - (e) Golden Parachute
7. Case Study (Compulsory)

Bindra is a sales manager at a large pharmaceutical company. The fiscal year will end in one week. She is overwhelmed with the end of the year tasks, including reviewing the budget she is likely to be allocated for the following year, responding to customers' phone calls, and supervising a group of 10 salespeople. It's very hectic time, probably the most hectic time of the year. She receives a phone call from the HR department, "Bindra, we have not received your performance reviews for your 10 employees; they are due by the end of the fiscal year". Bindra thinks, "Oh, these performance reviews...what a waste of my time!" From Bindra's point of view, there is no value in filling out those seemingly meaningless forms. She does not see her subordinates in action because they are in field visiting customers most of the time. All that she knew about their performance is based on sales figures, which depends more on the products offered and geographic territory covered than the individual effort and motivation of each salesperson. And, nothing happens in terms of rewards, regardless of her ratings.

These are lean times in her organisation, and salary adjustments are based on seniority rather than merit. She has less than 3 days to turn in her forms. She decides to follow the path of least resistance: to please her employees and give maximum possible ratings to everyone. In this way, Bindra believes the employees will be happy with her ratings and she will not have to deal with complaints or follow-up meetings. Bindra fills out the forms in less than 20 minutes and gets back to her "real job".

This often happens in many organisations, unfortunately. Although Bindra's department calls it "performance management" but it is actually not.

Answer the following :

- (i) Identify the problem in case above in context of Performance Management System. (3)
- (ii) What could be the contributions that an effective PMS can have on an employee of an organization ? State the advantages associated with the implementation of an effective PMS. (6)
- (iii) Can you identify the dangers if similar poorly implemented PMS continues in the organisation ? If yes, state and explain some. (6)