UNIVERSITY OF PETROLEUM & ENERGY STUDIES
End Semester Examination (Online) – December, 2020

Program: MBA BA
Subject/Course: Financial Analytics
Course Code: FINC8008P

Semester : V
Max. Marks: 100
Duration : 3 Hours

	Section A	
	1. Each question carries 5 marks. 2. Instructions- Select the correct answers.	
S No	**Question**	**CO**

Q1	Which of the following is also known as terminal value
	    A) NPV
	    B) Continuation value
	    C) IRR
	    D) Expected cash flows
		CO1

Q2	Which of the following is an example of cross sectional data
	    A) Collecting stock price for the last thirty days
	    B) Collecting GDP data for the last year for three countries
	    C) Collecting GDP data for last year for ten countries
	    D) Collecting GDP data for last ten years for one country.
		CO1

Q3	Panel data needs to have equal number of yearly observations.
	    A) True
	    B) False
		CO1

Q4	Which of the following is not an assumption of error term.
	    A) Normally distributed.
	    B) Log normally distributed.
	    C) No serial correlation.
	    D) None of above.
		CO1

Q5	Adding more variables in the regression analysis always increase the value of r square
	    A) False
	    B) True
		CO2

Q6	Standard error is dependent on the sample size
	    A. True
	    B. False
		CO2

	Section B	
	1. Each question carries 10 marks.	

	2. **Instructions: Write short answers.**	
Q7	You understand that NPV and IRR are the techniques to evaluate the projects. As a financial analyst, what is your choice between NPV and IRR and why.	**CO2**
Q8	To estimate the value of a firm, a financial analyst has to calculate the expected cash flows of the firm. Mention the steps to calculate the expected cash flows of a firm.	**CO2**
Q9	What is plm package in R studio and mention the use of plm function in financial analytics?	**CO3**
Q10	What is time series, cross sectional, and panel data. Give relevant examples.	**CO3**
Q11	Mention the significance of regression analysis for financial analyst and write a note on p value, degree of freedom, and standard error of a model.	**CO4**
	Section C	
	1. **Each question carries 20 marks.**	
	2. **Show all the steps in calculating the required values until four decimal places.**	
Q12	NRG, Inc. plans to launch a new line of energy drinks. The marketing expenses associated with launching the new product will generate operating losses of $500 million next year for the product. NRG expects to earn pre-tax income of $7 billion from operations other than the new energy drinks next year. NRG pays a 39% tax rate on its pre-tax income. What will NRG owe in taxes next year without the new energy drinks? What will it owe with the new energy drinks? **OR** Dren Industries is considering expanding into a new product line. Earnings per share are expected to be $10 in the coming year and are expected to grow annually at 6% without the new product line but growth would increase to 8% if the new product line is introduced. To finance the expansion, Dren would need to cut its dividend payout ratio from 80% to 40%. If Dren's equity cost of capital is 10%, what would be the impact on Dren's stock price if they introduce the new product line? Assume the equity cost of capital will remain unchanged.	**CO4**