

MID-WESTERN UNIVERSITY
EXAMINATIONS MANAGEMENT OFFICE
FINAL EXAMINATION: 2019
MASTER OF BUSINESS ADMINISTRATION (MBA)
SEMESTER – IV

R.No.....

Subject: Financial Institution and Market
Full Marks: 100

Course Code: MGT 546
Time: 4:00 Hours

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

Tick the best answer:

- Q1. What would be the status of the bond, if the required rate of return of a particular bond is less than coupon rate?
- a. Discount Bond
 - b. Premium Bond
 - c. Par Bond
 - d. Junk Bond
- Q2. Which of the following will cause an increase in bond values?
- a. Decrease in Redemption Amount
 - b. Decrease in Coupon Rate
 - c. Increase in Redemption Amount
 - d. Increase in Redemption Period
- Q3. Which of the following describes the relationship between systematic risk and return?
- a. Arbitrage Pricing Theory
 - b. Capital Assets Pricing Model
 - c. Harry Marketing Model
 - d. Capital Market Line
- Q4. 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
- Q5. Type of market in which securities with less than one year maturity are traded is classified as
- a. money market
 - b. capital market
 - c. transaction market
 - d. global market
- Q6. What would happen to the market price per share, if stock dividend and stock split is accompanied by increased cash dividend per share?
- a. Increase
 - b. Decrease
 - c. Remain Constant
 - d. None
- Q7. 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
- Q8. Money market where debt and stocks are traded and maturity period is less than a year is classified as
- a. Shorter term markets
 - b. Capital markets
 - c. Counter markets
 - d. Long-term markets
- Q9. Which is the most expensive source of funds?
- a. New Equity Shares
 - b. New Preference Shares
 - c. New Debts
 - d. Retained Earnings

- Q10. The term structure of interest rates is:
- The relationship between the rates of interest on all securities
 - The relationship between the interest rate on a security and its time to maturity
 - The relationship between the yield on a bond and its default rate
 - All of the above
- Q11. Which of the following is not a relevant factor in EPS Analysis of capital structure?
- Rate of interest on debt
 - Tax rate
 - Amount of preference share capital
 - Dividend paid last year
- Q12. How do you calculate the Financial Leverage?
- $\text{EBIT} \div \text{Contribution}$
 - $\text{EBIT} \div \text{PBT}$
 - $\text{EBIT} \div \text{Sales}$
 - $\text{EBIT} \div \text{Variable Cost}$
- Q13. XYZ Ltd. has a Current Ratio of 1.5: 1 and Net Current Assets of Rs. 5, 00,000. What is the current assets amount?
- Rs. 5,00,000
 - Rs. 10,00,000
 - Rs. 15,00,000
 - Rs. 25,00,000
- Q14. Which one of the following is an appropriate situation in which a company can meet its financial obligations as and when they fall due?
- Current ratio is 2:1
 - Current ratio is less than 2:1
 - More depends on composition of current assets rather than current ratio alone
 - Current assets just cover current liabilities
- Q15. What do you mean by effective interest rate?
- Simple interest rate
 - Compounded interest rate
 - A Single interest rate for comparison between half-yearly, quarterly, and monthly interest rates
 - Bank rate
- Q16. What can be the risk that would be increased after the use of larger debt capital in a firm?
- Business risk
 - Financial risk
 - Interest rate risk
 - Systematic risk
- Q17. What would be the rate of earnings, in comparison to rate of interest of the company, when mixing fixed cost bearing securities with equity?
- More
 - Less
 - Equal
 - Not relevant
- Q18. Which of the following are common functions of the central bank?
- Conduct of monetary policy
 - Lending to the general public
 - Supervising the stock market
 - Lending to the commercial banking system
- Q19. Which is the best formula for compound value of a sum?
- $P(1+i)^n$
 - $P(1-i)^n$
 - $C(1+i)^n$
 - $C(1-i)^n$
- Q20. Which of the stock exchange is the bigger in terms of market capitalization?
- NEPSE
 - BSE
 - NYSE
 - NSE

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

Answer any FIVE questions:

- Q1. Examine the various types of financial markets that facilitate the flow of funds and also describe the types of securities traded within financial markets. (3+3)
- Q2. How the financial market facilitates the transfer of funds from those who have excess funds to those who need funds? Explain. (6)
- Q3. Determine the classes of Mutual Fund and also explore the role of investment banker for the development of mutual fund in Nepal. (3+3)
- Q4. What are the various credit risks for financial institutions? Explain how the credit crisis led to concerns about systemic risk? (3+3)
- Q5. Why a treasury bill is considered as a significant instrument of short term financing? What is the various provision of issuance of treasury bill in Nepal? (3+3)
- Q6. What are the various stock exchanges operating across the Asian region? And also explain their major role and tasks with key features. You are also required to highlight the various types of stock market indices and determine the process of calculating NEPSE index. (3+3)
- Q7. How do you determine the appropriate cost of debt for a company? Does it make a difference if the company's debt is privately placed as opposed to being publicly traded? (3+3)

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

Answer any TWO questions:

- Q8. Examine the role of depository institutions and none depository institutions and identify their main sources and uses of funds. Also determine the role of financial institutions within financial markets. (7+8)
- Q9. Explore the various Capital Market Securities and you are also required to explain how the Capital Market that facilitate the sale of long-term securities by deficit units to surplus units. Give some of the real life examples of Capital Market Securities that are practiced in Nepal. (8+7)
- Q10. Investment Banking is a combination of banking and consultancy services. It helps to expand and modernize the business and give expert advice on mergers, acquisition and takeovers, diversification of business, foreign collaborations. It helps in restructuring of a business, assist to revive sick business units and markets the securities they are initially sold. On the backdrop please explain the functions of Investment banking. How the investment banks facilitate New Stock Issues? (8+7)

SECTION D: CASE STUDY (20 MARKS)

Q11. Read a case given below and answer the following questions:

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. 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

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, Ravindra Prasad Pandey 37 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.

Financial Institutions Current Status in Nepal

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.

Growth and Prospects of financial institutions

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.

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. 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.

Questions

- a. Examine and explore what has made the reduction in numbers of Commercial Banks in Nepal in recent period of time? (5)
- b. What do you suggest whether it is a good idea to reduce the number of commercial banks at of the country? Provide your logic with justification. (5)
- c. Discuss on the light of the following statement and provide your arguments in line with and or against with 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". (5)
- d. What do you think about the monitoring system of NRB to regulate the financial market in Nepal? (5)



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

Answer any FIVE questions:

- Q1. What do you mean by merger and acquisition? Briefly explain its types. 2+4
- Q2. The Mustang Automobile Corporation has just acquired a large account. As a result it will soon need an additional Rs. 405,000 in working capital. It has been determined that there are three feasible sources of funds:
- a) Trade credit:
The Mustang Automobile Corporation buys materials from Tata Automobiles on terms of "3/30, net 90."
- b) Bank loan:
The firm's bank will loan Rs 450,000 at 13 percent. A 10 percent compensating balance will be required.
- c) Factoring:
A factor will buy the company's receivables (Rs 550,000 per month), which have an average collection period of 30 days. The factor will advance up to 75 percent of the face value of the receivables at 12 percent on an annual basis. The factor will also charge a 2 percent fee on all receivables purchased. It has been estimated that the factor's service will save the company Rs 8,500 per month - consisting credit department expenses and bad debts expenses.
Which alternative should Mustang Automobile select on the basis of annualized percentage cost? 2+2+2
- Q3. Suppose $K_{RF} = 9\%$, $K_M = 14\%$ and $b_J = 1.3$.
- a) What is K_S , the required rate of return on Stock A?
- b) Now suppose K_{RF} (1) increases to 10% or (2) decreases to 8%. The slope of SML remains constant. How would this affect K_M and K_S ?
- c) Now suppose K_{RF} remains at 9% but K_M (1) increases to 16% or (2) falls to 13%. The slope of the SML does not remain constant. How would these changes affect K_S ? 2+2+2
- Q4. What do you mean by stock repurchase? In which situations the Company prefers to repurchase stock rather than cash dividend. Explain. 3+3

Q5. Following are the probability distribution and rates of return associated with stock X and Y.

Probability	Stock X's Returns, R_X	Stock Y's Return, R_Y
0.20	22	(5)
0.30	18	18
0.25	(7)	20
0.25	12	17

- a) Calculate the expected rate of return and standard deviation of return of stock X and Y.
 b) What is the covariance and correlation coefficient between return of stock X and Y? 3+3

Q6. The Radio Bheri Corporations (RBC) has at present 200,000 share of stock outstanding that sells for Rs 380 per share. Assume there are no market imperfection and tax effects. The most recent period position of the shareholders' equity is given below:

12% Preferred stock (Par value Rs 100)	Rs 5,000,000
Common stock (Par value Rs 100)	20,000,000
Additional paid-in capital	10,000,000
Retained earnings	<u>60,000,000</u>
Total shareholders' equity	<u>Rs 95,000,000</u>

- a) What is the share price and number of share outstanding if RBC has a 5-for-2 stock split?
 b) What is the share price and number of share outstanding if RBC has 10 percent stock dividend?
 c) What are the difference between stock split and stock dividend? 2x3

Q7. Write short notes on: 3+3

- (a) Systematic Risk

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

Answer any TWO questions:

Q8. Define short term financing. Mention its advantages and disadvantages. Explain the various sources of short term financing. 3+3+9

Q9. The Nepal Telecom Corporation issued a new series of bonds on January 1, 2001. The bonds were sold at par (Rs 1,000), have a 12 percent coupon, and mature in 30 years, on December 31, 2030. Coupon payments are made semiannually (on June 30 and December 31).

- a) What was the YTM of Nepal Telecom's bond on January 1, 2001?
 b) What was the price of the bond on January 1, 2006, five year later, assuming that the interest rates had fallen to 10 percent?
 c) Find the current yield and capital gains yield on the bond on January 1, 1996, given the price as determined in part b.

- d) On July 1, 2024, Nepal Telecom's bond sold for Rs. 916.42. What was the YTM at that date?
- e) What were the current yields and capital gains yield on July, 2024?

Q10. Dailekh Petroleum Drilling Corporations (DPDC) wishes to acquire an Automatic Deep Drilling Machine that costs Rs 990,000. The machine can be financed by bank loan with 10 percent interest and annual installment of loan will be paid in advance. Dailekh Petroleum Drilling Corporations (DPDC) intends to operate the equipment for 5 years, at which time it will need to be replaced. However, it is expected to have a salvage value of Rs 50,000 at the end of 5th year. The machine will be depreciated on a straight line basis (Rs 198,000 per year) over the 5 year, and Dailekh Petroleum Drilling Corporations (DPDC) is in 30 percent tax bracket.

Alternatively Dailekh Petroleum Drilling Corporations (DPDC) can lease the Drilling Machine with annual advance lease payment of Rs 215,000.

Should the Dailekh Petroleum Drilling Corporations (DPDC) purchase or lease the Drilling Machine?

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SECTION D: CASE STUDY (20 MARKS)

Q11. Read a case given below and answer the following questions:

Biratnagar Jute Mills is the pioneer and the most popular Jute Mill of Nepal. It was established in 1936, after the orders of Prime Minister Juddha Shamsheer. This is the biggest and oldest jute mill in Nepal. This industry is more than 75 years old.

Biratnagar Jute Mills now plans to raise an additional Rs 20 million through right offerings. Current market price of the company share is Rs 350. It has 400,000 shares outstanding. Stockholders are offered a new share at a price of Rs 200 each.

Required:

- a) How many new shares will have to be sold to raise required funds? H
- b) How many rights will be required to purchase a new share? H
- c) What will be theoretical value of rights? W
- d) Calculate ex-rights price. C
- e) Mr. Laxmi Sharma's total assets consist of 560 shares of Biratnagar Jute Mills and Rs 255,000 in cash. Prepare statements showing Mr. Laxmi Sharma's total assets after the offering for each of these alternative courses of action. M
 - i. He exercise all his rights.
 - ii. He sells all his rights.
 - iii. He sells 400 rights and exercises 160 rights.

iv. He neither sells nor exercises the rights.

$1.5x^4 + 3.5x^4$



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

Tick the best answer:

- Q1. Interest and principal amount is paid on installment basis on
- a. add-on loan
 - b. discounted loan
 - c. simple loan
 - d. all of the above
- Q2. is a formal, legal commitment to extend credit up to some maximum amount over a stated period of time
- a. Trade credit
 - b. Revolving credit
 - c. Line of credit
 - d. Commercial Paper
- Q3. The types of collateral generally used for a secured short-term loan are:
- a. machinery
 - b. real assets
 - c. common stock and / or bonds
 - d. inventory and / or receivables
- Q4. Tax is deductible on
- a. Instalment of loan
 - b. Both a & b
 - c. Lease rent
 - d. None of the above
- Q5. If coupon rate is equal to going rate of interest then bond will be sold
- a. at par value
 - b. more than its par value
 - c. below its par value
 - d. none of the above
- Q6. is sold at heavy discount.
- a. Perpetual bond
 - b. Zero-coupon bond
 - c. Straight bond
 - d. Redeemable bond
- Q7. A company may call the bonds when
- a. Interest rates have dropped
 - b. Both a & b
 - c. Interest rates have increased
 - d. None of the above
- Q8. can be avoided through proper diversification.
- a. Portfolio risk
 - b. Unsystematic risk
 - c. Systematic risk
 - d. Total risk
- Q9. The greater the beta, the of the security involved.
- a. greater the unavoidable risk
 - b. less the unavoidable risk
 - c. greater the avoidable risk
 - d. less the avoidable risk
- Q10. Dividend is irrelevant according totheory.
- a. Birds in hand
 - b. Tax preference
 - c. Modigliani and Miller's
 - d. All the above

- Q11. increase in the number of shares outstanding by reducing the par value of stock.
- a. Extra dividend
 - b. Stock Split
 - c. Stock dividend
 - d. None of the above
- Q12. A company repurchase stock when.....
- a. there is investment opportunity.
 - b. there is sufficient cash and no investment opportunity is available.
 - c. majority of shareholder wants cash dividend.
 - d. there is no sufficient cash.
- Q13. Justifications for merger and acquisitions do not include:
- a. to gain economies of scale
 - b. to enter new market
 - c. to achieve synergy
 - d. to increase risk
- Q14. A conglomerate merger takes place when
- a. two firms in the same line of business merge
 - b. buyer-seller relationships firm merge
 - c. unrelated businesses merge
 - d. none of the above
- Q15. An acquisition of a company or division of another company financed with a substantial portion of borrowed fund is called
- a. reverse merger
 - b. management buyout
 - c. leveraged buyout
 - d. all the above
- Q16. The financial risk of the firm is measured through:
- a. combined leverage
 - b. financial leverage
 - c. operating leverage
 - d. all the above
- Q17. 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
- Q18. A firm's degree of operating leverage (DOL) depends primarily upon its
- a. sales variability
 - b. debt-to-equity ratio
 - c. level of fixed operating costs
 - d. all the above
- Q19. Higher degree of financial leverage means:
- a. High debt proportion
 - b. Equal debt and equity
 - c. Lower debt proportion
 - d. No debt
- Q20. Combined leverage shows the relationship between:
- a. Sales and EBIT
 - b. Sales and EPS
 - c. EBIT and EPS
 - d. All of the above

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

Tick the best answer:

- Q1. Investment is the current commitment of dollars for a period of time in order to derive future payments that will compensate the investor for
- The time the funds are committed
 - The expected rate of inflation during this time period
 - The certainty of the future payments
 - All of the above
- Q2. Which of the following is not the determinant of Required Rates of Return?
- Time value of money during the period of investment
 - Expected rate of inflation during the period
 - Risk premium
 - Risk involve
- Q3. The investor always demands an interest rate that exceeds the pure time value of money plus the inflation rate to cover the investment risk. This is known as.....
- Risk and return
 - Inflation expenses
 - Risk premium
 - Arithmetic mean
- Q4. Standard deviation and beta both measure risk, but they are different in that:
- Beta measures both systematic and unsystematic risks
 - Beta measures only systematic risk while standard deviation is a measure of total risk
 - Beta measures only unsystematic risk while standard deviation is a measure of total risk
 - Beta measures total risks while standard deviation measures only systematic risk
- Q5. 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 following correlation coefficients with the other investment in the portfolio:
- 1
 - 0.5
 - 0
 - +1
- Q6. Select the risk that is caused by the nature of a firm's business like Sales volatility and operating leverage.
- Business risk
 - Liquidity risk
 - Financial risk
 - Exchange rate risk
- Q7. Which of the following is not the assumption of capital market theory?
- Investors can borrow or lend any amount of money at the risk free rate.
 - All investors have homogeneous expectation.
 - All investments are infinitely divisible.
 - Capital markets are not in equilibrium.
- Q8. 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:
- Current account
 - Margin account
 - Demat account
 - All of the above

- Q9. It is a line drawn on a chart that serves as a graphical representation of (CAPM), which shows different levels of systematic, or market, risk of various marketable securities plotted against the expected return of the entire market at a given point in time.
- Capital market Line.
 - Separation theorem
 - Capital assets pricing model
 - Security Market Line
- Q10. You invest 60 percent of your money in security A having beta of 1.5 and the rest of your money in security B with beta of 0.9. The beta of the resulting portfolio is:
- 1.26
 - 1.10
 - 0.98
 - 0.75
- Q11. The rate of interest charged by lender or paid by borrower at each interest period is known as.....
- Nominal rate of interest
 - Effective annual rate
 - Periodic rate of interest
 - Semi-annual rate of interest.
- Q12. Which of the following bonds are sold at a heavy discount?
- Treasury bonds
 - Municipal bonds
 - Foreign bonds
 - Zero coupon bonds
- Q13. What is the intrinsic value of zero coupon bonds which matures after 10 years and the required rate of return is 12 percent?
- 500.21
 - 456.79
 - 321.97
 - 645.12
- Q14. The process of purchasing the entire issue from the issuer and reselling the security to the investing public is known as.....
- Initial public offering
 - Underwriting function
 - Seasoned new issues
 - Over the counter
- Q15. Which of the following is the objective of listing securities?
- To provide ready marketability, liquidity and free negotiability to stocks.
 - To ensure proper supervision and control of dealings
 - To protect the interests of shareholders and of general investing public.
 - All of the above
- Q16. This is an analysis of the credit risks associated with a financial instrument or a financial entity.
- Market index
 - Listing of securities
 - Credit rating
 - Delisting of securities.
- Q17. This measure of portfolio performance measure indicates portfolio's risk premium return per unit of risk.
- Sharpe's performance measure
 - Jensen's performance measure
 - Treynor's performance measure
 - Information performance measure
- Q18. A purely passive strategy is defined as
- holding a well diversified portfolio for short term with buy and hold approach
 - holding a well diversified portfolio for long term with buy and hold approach
 - holding a well diversified portfolio for short term with buy and sell approach
 - holding a well diversified portfolio for long term with buy and hold sell approach
- Q19. A tool that facilitates a company's understanding of its position relative to other companies that produce similar products or services:
- Economic analysis
 - Company analysis
 - Industry analysis
 - Technical analysis
- Q20. Everything equal, which variable is negatively related to intrinsic value of a company?
- D_1
 - D_0
 - k
 - g

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

Answer any FIVE questions:

- Q1. Discuss the five fundamental factors that influence the risk premium of an investment. [6]
- Q2. At the beginning of last year, you invested Rs 4000 in 80 shares of the ABC Corporation. During the year ABC paid dividends of Rs 5 per share. At the end of the year, you sold the 80 shares for Rs 59 a share. Compute your total HPY on these shares and indicate how much was due to the price change and how much was due to dividend. [6]
- Q3. What is market index? Outline its utility for security analysis. Give two different methods used to weight indexes. [6]
- Q4. Discuss the factors affecting assigning the credit ratings to securities. [6]
- Q5. What is net assets value (NAV)? How do you determine the NAV of mutual funds? Explain with example. [6]
- Q6. Compare and contrast between economic analysis and technical analysis. [6]
- Q7. Write short notes on following. [3+3]
- a. Depositories
 - b. Security Board of Nepal

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

Answer any TWO questions:

- Q8. Mr. Sharma owns a portfolio with the following characteristics.

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

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	18%	1.25	-0.5

- a. What is the equation that describes the equilibrium return for Mr. Sharma? (Assume that returns are generated by two factor model): [10]
 - b. What arbitrage opportunities are present? Show how Mr. Sharma can make profit from them. [5]
- Q9. There are number of portfolio performance measure. In your opinion which performance measure is more appropriate in today's situation? Explain with example. [15]

Q10. Discuss the trading mechanism Nepal Stock Exchange Trade Management System (TMS) with examples. [15]

SECTION D: CASE STUDY (20 MARKS)

Q11. Read a case given below and answer the following questions:

Bob, Chad and Dylan had been dreaming of this day for the past six years; ever since they first met in an introductory economics course in college. For several years they had been pooling their money and buying Arizona Lottery tickets dreaming that one day they would win big. They realized that the lottery was considered by many to be a voluntary tax on the statistically challenged. But miraculously they now sat at their favorite local “watering hole” holding the winning ticket that meant they would split “The Pick” jackpot of \$6 million. What a great feeling! Now they just needed to decide if they wanted to take their winnings as a lump sum now or to be paid over the next twenty in installments.

Bob had been a political science major in college but things hadn’t worked out as he anticipated when he was a student. He had entered the job market at what looked now to be the bottom of the economic downturn following the housing crisis in the U.S. Bob believes he did not start his job search soon enough and found suitable openings virtually nonexistent. He was currently working part-time at an organic farm and still living at home which cramped his style considerably. He has \$150,000 in college related loans (7% interest rate) which he cannot service based on his annual taxable income of \$15,000. His share of the jackpot would allow him to be debt free and change his life for the better without doubt. Chad had been more fortunate than Bob. He had applied himself in college and earned a master of accounting degree with an emphasis in taxation. After graduation he immediately went to work for one of the international accounting firms and was now earning a taxable income of \$100,000 in spite of the economic issues facing his friend Bob and the country as a whole. He too had debt but not from student loans. Chad had purchased a very nice home in Anthem, Arizona for approximately 50% of what it had sold for three years earlier when built. He had a \$250,000 mortgage on the home, at a 4% interest rate, which he saw little reason to pay off since he anticipated significant inflation in the near future.

Of the three friends Dylan was by far the most successful. Dylan had majored in finance and had excelled. When he graduated, although he had several attractive offers in the financial services industry, he decided to go into the family business. The company which his father and uncle had started nearly 50 years ago had done amazingly well in the downturn and since he was the only child/nephew they were rewarding him handsomely. He had been reluctant to tell Bob but he was on track to receive total compensation (including bonuses) that yielded a taxable income of \$300,000 this year. Unlike his friend Bob, Dylan was frugal and had taken on zero debt. He was pleased with the trio’s good fortune but he didn’t think the windfall would change his life all that much.

A few days later when the euphoria of winning was subsiding the three friends met again at the same establishment. All were obviously in good spirits and were looking forward to presenting their winning ticket to Arizona Lottery officials. Chad started the conversation by telling Bob and Dylan that he had taken the initiative of doing some basic research on how “The Pick” worked and what the payout options were. Bob, proud of his forethought, produced an article he had saved years earlier from the Arizona Daily Star with the headline “Lump-sum Lotto Payout is Best, Experts Say.” Bob excitedly told his buddies that the experts were local CPAs and that clearly the lump-sum payout was “the way to go.” Dylan said he wanted to hear what Chad had found out since he had gone to the effort of looking into the specifics. Chad (being a tax accountant) had prepared a summary of his research which follows:

A percentage of the proceeds from the sale of Lotto tickets are allocated to a prize pool. The size of the Jackpot that is prominently advertised, six million dollars in this instance, is actually only an estimate. The advertised amount is the sum of the estimated annuity¹ payments, without consideration of the time value of money, which Lotto officials believe can be purchased from the prize pool. If the winner chooses the annuity payout multiple insurance companies submit bids. Officials award the bid to the

insurance company that offers the largest annual payments in return for the prize pool amount. The insurance company with the best bid typically offers a rate that is near the long-term U.S. Treasury Bonds rate (currently 3%). If the winner chooses the Lump Sum payout they simply receive the prize pool amount; the amount that would have been used to buy the annuity.

After reading the summary Bob said he didn't see how this related to the decision that had to be made since he didn't see anything that changed the preferred option being that the lump-sum payout is best. Chad acknowledged that Bob was probably correct but he still wanted to "run the numbers" and suggested that Bob and Dylan should do the same. Chad reminded them that they needed to consider the tax consequences of the payout schema and then provided the following schedule of federal income tax rates and reminded them that the state tax rate was an additional 5%. Bob rolled his eyes but said he would get right on it. Dylan thanked Chad for the information and they agreed to meet again tomorrow to decide on the best course of action.

Questions:

- a. Is there necessarily one best decision for the group regarding the payout options? If so what is it and why? [5]
- b. What might be the reason(s) that Chad does not want to pay off his debt? Do you concur? [5]
- c. Prepare a personal analysis of the payout options for Bob, Chad and Dylan. Designate the preferred option for each individual and explain why. [5]
- d. What non-financial factors might enter into the decision for the winners? [5]



MID-WESTERN UNIVERSITY
EXAMINATIONS MANAGEMENT OFFICE
FINAL EXAMINATION: 2019
MASTER OF BUSINESS ADMINISTRATION (MBA)
SEMESTER – IV

R.No.....

Subject: Compensation and Benefit Management

Course Code: MGT 549

Full Marks: 100

Time: 4:00 Hours

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

Tick the best answer:

- Q1. Which of the following compensation can be promoted through effective job design?
- a) Intrinsic compensation
 - b) Extrinsic compensation
 - c) Core compensation
 - d) Monetary compensation
- Q2. Which of the following is the internal factor that has influence in the determination of pay structure?
- a) Labour market
 - b) Cost of living
 - c) Employer's compensation strategy
 - d) Labour laws
- Q3. Which of the following 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.
- Q4. ... are the three main goals of compensation department.
- a) External consistency, market competitiveness, and recognition of group contributions
 - b) Internal consistency, market competitiveness, and recognition of individual contributions
 - c) Internal consistency, recognition of individual contributions, and recognition of group contributions
 - d) Internal consistency, external consistency, and market competitiveness
- Q5. Which of the following play a significant role in attracting and retaining the most qualified employees?
- a) Consistent compensation systems
 - b) Market-competitive pay systems
 - c) Compensation surveys
 - d) None of the above
- Q6. 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
- Q7. ... seeks to rank all jobs in the organization in a hierarchy that reflects the relative worth of each.
- a) Job evaluation
 - b) Job analysis
 - c) Job description
 - d) Job specification
- Q8. ... is the example of extrinsic rewards.
- a) Pride in one's work
 - b) A feeling of accomplishment
 - c) Being part of a team
 - d) Promotion
- Q9. ... are the two key advantages of seniority pay to employers.
- a) Facilitates the administration of pay programs, and avoid favoritism
 - b) Increases favoritism, and increases motivation
 - c) Increase the feeling of fair treatment, and reduces cooperation among coworkers
 - d) Increases the cooperation among coworkers, and negatively impact on performance of productive workers
- Q10. ... are universal compensable factors because virtually every job contains these four factors.
- a) Skill, effort, responsibility, and accountability
 - b) Skill, effort, responsibility, and working conditions
 - c) Skill, effort, responsibility, and loyalty
 - d) Skill, knowledge, responsibility, and effort

- Q11. Which of the following is not a required condition to practice individual incentive pay plan?
- a) Employees' performance can be measured objectively.
 - b) Employees have sufficient control over work outcomes.
 - c) Company does not create a level of unhealthy competition among workers that ultimately leads to poor quality.
 - d) Employees do not have sufficient control over work outcomes.
- Q12. ... are the reasons for employers' increased reliance on contingent workers.
- a) Economic recessions
 - b) International competition
 - c) Rise in female labor participation
 - d) All of the above
- Q13. Which of the following 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
- Q14. Which of the following companywide incentive plans are used by the company?
- a) Profit sharing and employee stock option plans
 - b) Gain sharing and team-based incentive plans
 - c) Gain sharing and referral plans
 - d) Piecework and profit sharing plans
- Q15. The incentive plan that promotes supportive, collaborative behavior among employees is called ...
- a) Individual incentive plan
 - b) Group incentive plan
 - c) Companywide incentive plan
 - d) Piecework plan
- Q16. ... provides a source of income for retirees, disabled workers, and surviving dependents of workers who have died.
- a) Unemployment compensation
 - b) Social security
 - c) Merit pay
 - d) Incentives
- Q17. Which of the following 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.
- Q18. ... refers to a formal employer program for providing employees with counseling and/or treatment programs for problems such as alcoholism, gambling, or stress.
- a) Employee assistance program
 - b) Compensation program
 - c) Pay program
 - d) Incentive program
- Q19. Which of the following 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.
- Q20. Which of the following is not a component of discretionary benefits?
- a) Income protection programs
 - b) Health protection programs
 - c) Pay for knowledge programs
 - d) Paid time off

MID-WESTERN UNIVERSITY
EXAMINATIONS MANAGEMENT OFFICE
FINAL EXAMINATION: 2019
MASTER OF BUSINESS ADMINISTRATION (MBA)
SEMESTER – IV

Subject: Compensation and Benefit Management
Full Marks: 100

Course Code: MGT 549
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:

- Q1. Define compensation. Describe briefly major elements of compensation. [2+4]
- Q2. Are the three main goals of compensation departments equally important, or do you believe that they differ in importance? Give your rationale. [6]
- Q3. Explain the role of performance appraisal in designing an effective compensation system. [6]
- Q4. Should the job evaluation depend on an appraisal of the job holder's performance? Why? Why not? [6]
- Q5. Discuss the differences between enhanced benefits and perquisites. [6]
- Q6. Which component of compensation is most essential to motivate executives to lead companies toward competitive advantage? Discuss your rationale. [6]
- Q7. Write short notes on (any two): [2x3= 6]
- a. Discretionary benefits
 - b. Compensation survey
 - c. Compensable factors

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

Answer any TWO questions:

- Q8. a) Explain the internal and external factors that determine compensation with an example. [8]
b) Explain the procedure for fixing salary for monthly rated employees. [7]
- Q9. Indicate whether you agree or disagree with the following statement: "Individual incentive plans are less preferable than group incentives and companywide incentives". Explain your answer. [15]
- Q10. Would you rather work for an organization where everyone knows what others are earning or an organization where this information is kept secret? Why? Describe the different ethical and legal issues with regard to compensation administration. [5+10]

SECTION D: CASE STUDY (20 MARKS)

Q11. Read a case given below and answer the following questions:

Jack Black was trying to figure out what to do about a problem salary situation he had in his plant. Black recently took over as president of Acme Manufacturing. The founder and former president, Bill George, had been president for 35 years. The company was family owned and located in a small eastern Arkansas town. It had approximately 250 employees and was the largest employer in the community. Black was a member of the family that owned Acme, but he had never worked for the company prior to becoming president. He had an MBA and a law degree, plus 5 years of management experience with a large manufacturing organization, where he was senior vice president for human resources before making his move to Acme.

A short time after joining Acme, Black started to notice that there was considerable inequity in the pay structure for salaried employees. A discussion with the human resources director led him to believe that salaried employees' pay was very much a matter of individual bargaining with the past president. Hourly paid factory employees were not part of the problem because they were unionized and their wages were set by collective bargaining. An examination of the salaried payroll showed that there were 25 employees, ranging in pay from that of the president to that of the receptionist. A closer examination showed that 14 of the salaried employees were female. Three of these were front-line factory supervisors and one was the human resources director. The other 10 were non-management.

The examination also showed that the human resources director appeared underpaid, and that the three female supervisors earned somewhat less than any male supervisor did. However, there were no similar supervisory jobs with both male and female job incumbents. When asked, the HR director said she thought the female supervisor may have been paid at a lower rate mainly because they were women, and perhaps George, the former president, did not think that women needed as much money because they had working husbands. However, she added she personally thought that they were paid less because they supervised less-skilled employees than did the male supervisors. Black was not sure that this was true.

The company from which Black had moved had a good job evaluation system. Although he was thoroughly familiar with and capable in this compensation tool, Black did not have time to make a job evaluation study at Acme. Therefore, he decided to hire a compensation consultant from a nearby university to help him. Together, they decided that all 25 salaried jobs should be in the same job evaluation cluster; that a modified ranking method of job evaluation should be used; and that the job descriptions recently completed by the HR director were current, accurate, and usable in the study.

The job evaluation showed that the HR director and the three female supervisors were being underpaid relative to comparable male salaried employees. Black was not sure what to do. He knew that if the underpaid female supervisors took the case to the local EEOC office, the company could be found guilty of sex discrimination and then have to pay considerable back wages. He was afraid that if he gave these women an immediate salary increase large enough to bring them up to where they should be, the male supervisors would be upset and the female supervisors might comprehend the total situation and want back pay. The HR director told Black that the female supervisors had never complained about pay differences.

The HR director agreed to take a sizable salary increase with no back pay, so this part of the problem was solved. Black believed he had four choices relative to the female supervisors:

- i. To do nothing
- ii. To gradually increase the female supervisor's salaries
- iii. To increase their salaries immediately
- iv. To call the three supervisors into his office, discuss the situation with them, and jointly decide what to do

Questions:

- a. Identify the major problems in the above case. [6]
- b. What would you do if you were Black? [7]
- c. Why would you suggest Black pursue the alternative you suggested? [7]

MID-WESTERN UNIVERSITY
EXAMINATIONS MANAGEMENT OFFICE
FINAL EXAMINATION: 2019
MASTER OF BUSINESS ADMINISTRATION (MBA)
SEMESTER – IV

R.No.....

Subject: Performance Management
Full Marks: 100

Course Code: MGT 550
Time: 4:00 Hours

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

Tick the best answer:

- Q1. Which is/are the benefits of performance management?
a. Increased self esteem
b. Fair administrative actions
c. Greater motivation in job
d. All of the above
- Q2. The following are the dangers of poorly implemented performance management?
a. Damaged relationship and increased turnover
b. Decrease in quality of managerial decision making
c. Loss of strategic vision
d. Tumult in organizational climate
- Q3. Alignment of employee's performance with the organization goal helps the organization gain _____.
a. Competitive advantage
b. Good performance results
c. Good feedback
d. All of the above
- Q4. Which is the correct statement?
a. Performance appraisal is parallel to performance management.
b. Performance management is a part of performance appraisal.
c. Performance appraisal is a part of performance management.
d. Performance measurement is also called performance management.
- Q5. How do you define performance?
a. As a value of the behavior.
b. Actual behavior concerning execution of duties
c. Both behavior and results that employee exhibits
d. Knowledge and skills of employee
- Q6. The art how well you perform a particular task is generally known as:
a. Knowledge
b. Skill
c. Ability
d. Competencies
- Q7. The term specificity describes:
a. Validity of performance management
b. Exactness
c. Reliability
d. Practicability
- Q8. The fact that performance measures must include all relevant facets of performance and exclude irrelevant facets is understood as:
a. Reliability
b. Acceptability
c. Validity
d. Correctability
- Q9. _____ is prerequisite for any performance management system because they provide the criteria to be used in measuring performance.
a. Job specification
b. Employee competencies
c. Employees track record
d. Job description
- Q10. An employee has physical, psychological and emotional aptitude to perform the work. The employee has :
a. Ability
b. Knowledge
c. Skill
d. All of the above

- Q11. An experienced person is most likely to have:
- a. Skill
 - b. Knowledge
 - c. Ability
 - d. Talent
- Q12. A good performance management must include
- a. Desirable behavior
 - b. Feedback method
 - c. Expected result
 - d. All of the above
- Q13. Provided two employees are similar in competencies, what determines the preference in their choice by their boss?
- a. Seniority
 - b. Personal relationship
 - c. Right attitude
 - d. Group status
- Q14. Which condition of gap analysis describes instance of leverage?
- a. Opportunity and weakness
 - b. Threats and strength
 - c. Opportunity and threats
 - d. Opportunity and strength
- Q15. Skills are generated based on:
- a. Procedural knowledge
 - b. Motivation
 - c. Declarative knowledge
 - d. Formal education
- Q16. Which one of the following is the task performance?
- a. Persisting with enthusiasm
 - b. Proactively helping peers
 - c. Efficiently running machines to transform raw materials into finished goods
 - d. Following organizational rules honestly
- Q17. Which is incorrect in relation to contextual performance?
- a. Bask on technical skills and abilities
 - b. Fairly similar across jobs
 - c. Personality based quality
 - d. Not likely to be role prescribed
- Q18. Behavior approach to measuring performance is suitable when:
- a. Workers are skilled in needed behavior
 - b. Behaviours and results are clearly related.
 - c. Behaviours and results are not strongly linked.
 - d. There are many ways to do the job right.
- Q19. In ____ style of coaching, the coach tells the employees what to do straightly.
- a. Analyzer
 - b. Persuader
 - c. Amiable
 - d. Driver
- Q20. Rapport building refers to:
- a. Establishing connection
 - b. Giving directions
 - c. Describing working methods
 - d. All of the above



MID-WESTERN UNIVERSITY
EXAMINATIONS MANAGEMENT OFFICE
FINAL EXAMINATION: 2019
MASTER OF BUSINESS ADMINISTRATION (MBA)
SEMESTER – IV

Subject: Performance Management
Full Marks: 100

Course Code: FIN 550
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:

- Q1. Define performance. Suppose you are working as an accountant in an organization. Develop four key areas of performance of your job. 2+4
- Q2. Briefly discuss the vulnerabilities of poorly implemented performance management system. 6
- Q3. Give a brief account of performance management process with reference to any organization you are familiar with. 6
- Q4. The manager of Viny Enterprise Private Limited, the supplier of water purifiers, says Mr. Sujal, the sales officer of the company, is very competent. What does the manager mean? What competencies do you expect in Sujal based on the expected job performance? 2+4
- Q5. Make a critical assessment on adoption of quantitative performance measures in an organization. What are characteristics of good performance standards? 3+3
- Q6. Define coaching. Discuss four guiding principles of coaching. 2+4
- Q7. Write short notes on (**any two**) 2x3=6
- a. Task versus contextual performance
 - b. Comparative versus absolute methods of measuring performance
 - c. 360 degree feedback

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

Answer any TWO questions:

- Q8. Managing performance is ultimately managing an organization. How do you justify this statement? Establish the link between strategic planning and performance management. 6+9
- Q9. Does trait approach to measuring performance validate good practice of performance management? Discuss clarifying your stand. Under what conditions result based approach to measuring performance is suitable? Write with relevant examples. 5+10
- Q10. Feedback is an integral element of performance management. Present your arguments with reasons. Provide some important guidelines to consider for effective feedback. Highlight some important points in relation to performance review meeting. 5+6+4

SECTION D: CASE STUDY (20 MARKS)

Q11. Read a case given below and answer the following questions:

Old vs. New approach to Performance Management

Deloitte is the largest professional services network in the world in both revenue and number of professionals. In 2013–14, they earned a record of \$34.2 billion USD in revenue. So, when one of the biggest companies in the world takes on reinventing performance management, they do it with a bang.

Deloitte found that their current approach to performance management, annual 360 feedback, was wasting a shocking 2 million hours per year. Even more significant, they realized that their system wasn't engaging employees at all. Performance levels were also dropping drastically. In an effort to combat this, Deloitte built something much more nimble, real-time, and individualized. They wanted something that was focused on fueling performance in the present rather than assessing it in the past.

With 360 feedback, goals were set once a year and reviewed once a year. A lot of time is wasted on performance ratings. Instead, this time should be spent on talking to people about their performance and careers consistently. Their next realization was that assessing someone's skills is always subjective. The process says much more about the evaluator instead of the person being evaluated. This is called an idiosyncratic rater effect. The discovery left Deloitte puzzled. They knew that in order to get the best feedback, it needs to come from a team leader. But how do you deal with the idiosyncratic rater effect? Before deciding how to deal with biased assessments, let's take a look at another insight Deloitte discovered.

They used the Gallup 1.4 million employee study to see what the [similarities are between high and low performing teams](#). The most powerful characteristic was that the high-performing team members felt they were doing their best to accomplish meaningful goals. On that basis, Deloitte identified 60 high-performing teams from their own ranks. Using these teams, they conducted a six-item survey to find out what their own high-performing teams had in common. When the results came back, the most common trend was that their own high performing team members felt that they had the chance to use their strengths every day. So, what can we learn from these results? Deloitte set out a clear goal: "We want to spend more time helping people use their strengths."

So, for a quick recap: Deloitte was able to recognize the strengths in performance. The concern came with evaluating it. They also now knew that the best insight comes from the immediate team leader, but how can they do provide it without the idiosyncratic effect getting in the way? That's the million (or even a billion) dollar question.

We also know that everyone rates other peoples' skills inconsistently. To combat this Deloitte did not ask team members what they think of each team member. Instead, they asked team leaders to rate their own future actions regarding each team member.

Here are the statements Deloitte asked leaders to select about an employee in order to overcome the idiosyncratic effect:

- Given what I know of this person's performance, and if it were my money, I would award this person the highest possible compensation increase and bonus – this measures overall performance and unique value.
- Given what I know of this person's performance, I would always want him or her on my team – this measures ability to work well with others
- This person is at risk for low performance – this identifies problems that might harm the customer or the team on a yes-or-no basis
- This person is ready for promotion today – this measures potential on a yes-or-no basis. This evaluation is called "process performance snapshot." The big difference is that it evaluates performance in real-time. Now they had the system to measure the performance. The question next became – how can we improve it?

One factor stood out the most from Deloitte case study – frequency. Deloitte points out that the optimal frequency of these new performance reviews should be weekly. They also suggest that the best way to ensure frequency is to have regular check-ins about near-time work initiated by team members.

Deloitte performance is also getting impact from a consumer technology platform that is designed to be simple, quick and above all, engaging. People tend to be interested in themselves – their own insights, achievements, and impact, so they believe that employing such a method would engage an employee around their own performance in a way they had not done before.

We've sorted the reviewing, so what about the reviews? Most team members are rated on a single number, but Deloitte began to wonder if that was the easiest way of viewing personal performance. Deloitte hasn't found the answer yet.

Questions:

- a. What are three problems associated with performance management in Deloitte? Point out based on the case above. What the case indicate about feedback approach? 3+2
- b. Based on Gallop study, what improves the team performance? Where do you emphasize in formation of high performing team if you agree the findings? 2+3
- c. What do you mean by idiosyncratic rating error? What are the unique approaches to employee rating as followed by Deloitte and why are they effective? 2+2+1
- d. What considerations do you make while designing and adopting technology for performance management? What is Deloitte still to be sure about? 3+2



MID-WESTERN UNIVERSITY
EXAMINATIONS MANAGEMENT OFFICE
FINAL EXAMINATION: 2019
MASTER OF BUSINESS ADMINISTRATION (MBA)
SEMESTER – IV

R.No.....

Subject: Human Resource Development
Full Marks: 100

Course Code: MGT 551
Time: 4:00 Hours

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

Tick the best answer:

- Q1. Training technique, which allows trainees to solve problems and work in different departments, is called
- a) Job rotation
 - b) Lifelong learning
 - c) Action learning
 - d) Management development
- Q2. is concerned more with career growth than immediate performance
- a) Training
 - b) Development
 - c) Instruction
 - d) Education
- Q3. Most flexible type of training in which employees are trained while performing tasks and responsibilities associated with job is classified as
- a) Informal training
 - b) Formal training
 - c) On the job training
 - d) Off the job training
- Q4. The following is (are) the benefit(s) of training.
- a) Increased productivity
 - b) Reduced accidents
 - c) Reduced supervision
 - d) All of the above
- Q5. A change agent is the individual who
- a) Supports change
 - b) Opposes change
 - c) Initiates change
 - d) Helps implements change
- Q6. Training refers to the process of imparting skills
- a) General
 - b) Specific
 - c) Important
 - d) Non- of the above
- Q7. Development provides and which will be helpful to employees in higher positions
- a) General knowledge, Behaviour
 - b) General knowledge, Specific skills
 - c) General knowledge, Attitudes
 - d) Specific skills, Attitudes
- Q8. Usage of internet for training employees of an organization is classified as
- a) Compression training
 - b) E-learning
 - c) Outsource learning
 - d) Supported learning
- Q9. The purpose of..... is to teach theoretical concepts and develop a sense of reasoning and judgment
- a) Development
 - b) Training
 - c) Education
 - d) Teaching
- Q10. Continues learning
- a) Refers to a seamless training that doesn't allow learners to break away from the training session
 - b) Requires employees to understand the entire work system including the relationships among their jobs, their work units, and the company
 - c) Uses an instructional design process to ensure training effectiveness
 - d) Refers only to off-site training

- Q11. Which is not one of the four criteria for evaluating training programs?
- a) Behavior
 - b) Synthesis
 - c) Reactions
 - d) Learning
- Q12. Mentoring is
- a) Ongoing and spontaneous meetings between supervisors and their employees to discuss the employee's career goals, and to give advice.
 - b) Assigning employees to various jobs.
 - c) A developmentally oriented relationship between two individuals that involves advising, networking, and supporting.
 - d) Demonstrating new skills to the mentored individual
- Q13. method creates a situation that is as far as possible a replica of the real situation for imparting training.
- a) The programmed learning
 - b) The Simulation
 - c) The case study
 - d) The lecture
- Q14. Which of these is the benefit of needs assessment?
- a) Assessment makes training department more accountable
 - b) Higher training costs
 - c) Loss of business
 - d) Increased overtime working
- Q15. A systematic method to teach skills for job while presenting facts and getting feedback is called
- a) Job rotation
 - b) Off the job training
 - c) Job instruction training
 - d) Programmed learning
- Q16. Which of these is a hindrance to effective training?
- a) Career planning workshop
 - b) Aggregate spending on training is inadequate
 - c) Mentoring
 - d) Career counseling
- Q17. Which of the following is not true about training?
- a) It is short duration exercise
 - b) It is technical in nature
 - c) It is primarily for managers and executives
 - d) It is concerned with specific job skills
- Q18. Transformational change is often carried out by
- a) Middle managers
 - b) Top down
 - c) Bottom up
 - d) After extensive consultation
- Q19. Demonstration type of training method is used to train
- a) Workers
 - b) Supervision
 - c) Managers
 - d) All of the above
- Q20. The following training aims to provide broad training to enable the trainee to take up a wide variety of tasks within his field of specialization:
- a) Demonstration
 - b) On-the-job training
 - c) Apprenticeship
 - d) All of the above



MID-WESTERN UNIVERSITY
EXAMINATIONS MANAGEMENT OFFICE
FINAL EXAMINATION: 2019
MASTER OF BUSINESS ADMINISTRATION (MBA)
SEMESTER – IV

Subject: Human Resource Development
Full Marks: 100

Course Code: MGT 551
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:

- Q1. Describe the benefits of employee training and development. [6]
Q2. Describe three reasons for increased use of new technologies for training delivery. [6]
Q3. How can organizations motivate employees to promote safety and health in the workplace? [6]
Q4. What are the reasons for resistance to change? [6]
Q5. Distinguish between organizational development and career development. [6]
Q6. How training need analysis should be conducted? [6]
Q7. Write short notes on (any two): [3+3]
 a. Change Management
 b. Apprenticeship
 c. Proactive training needs analysis

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

Answer any TWO questions:

- Q8. Knowledge, skills and attitudes (KSA) are key components of learning. Justify it. [15]
Q9. Define various models of training evaluation. [15]
Q10. Describe the different methods of training in detail. [15]

SECTION D: CASE STUDY (20 MARKS)

Q11. Read a case given below and answer the following questions:

The personnel office of Prashant chemicals Limited informed the middle managers through a circular that a group of consultants would be calling on them later in the week to provide training on team building. The consultants would be emphasizing on how to develop team work and to build inter group relationships throughout the company. The information also contained the approach to be adopted by the consultants and explained the five steps process of team buildings: problem sensing, examining differences, giving and receiving feedback, developing interactive skills, and follow up actions. The circular also included a note on the utility of team building in organizational effectiveness. On receiving the circular, middle managers felt tense as they thought team building as an exercise involving a lot of hocus-pocus as they thought team sensitivity training exercises in which participants used to attack each other and let out their aggression by heaping abuse on those disliked. Therefore, the managers felt that the consultants were not needed for team building. One of the managers commented, "now that we understand what is involved in team building, we can go ahead and conduct session ourselves. All we have to do is to choose a manager who is liked by everyone and put him in the role of

change agent/consultant. After all, you really do not need high-priced consultants to do this team building stuff. You just have to have a good feel for human factor".
The other managers generally agreed. However, the corporate personnel director turned down their suggestions and proceeded with his original programmed of hiring consultants.

Questions

- a. Why did middle managers show resistance to team building approach of organization development? [7]
- b. Do you think the managers had accurate view of team building concept and role of external consultant in that? [7]
- c. Did corporate personnel office sell the concept of team building and its usefulness properly to middle managers? What actions that the department has taken? [6]

