

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

R.No.....

Subject: Compensation and Benefit Management  
Full Marks: 100

Course Code: HRM 549  
Time: 4:00 Hours

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

*Tick the best answers*

- Q1. Which of the following compensation is received by employees as a result of continuing their employment in the organization?
- a. Base pay
  - b. Merit pay
  - c. Incentives
  - d. Benefits
- Q2. Which of the following is the external factor that influences determination of pay structure?
- a. Employers' ability to pay
  - b. Employer's compensation strategy
  - c. Cost of living
  - d. Worth of a job
- Q3. ... is not the element of core compensation.
- a. Annual salary
  - b. Seniority pay
  - c. Unemployment pay
  - d. Merit pay
- Q4. 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.
- Q5. ... are the three main goals of compensation department.
- a. Internal consistency, market competitiveness, and recognition of individual contributions
  - b. External consistency, market competitiveness, and recognition of group contributions
  - c. Internal consistency, recognition of individual contributions, and recognition of group contributions
  - d. Internal consistency, external consistency, and market competitiveness
- Q6. Which of the following is the example of the membership-based rewards?
- a. Merit pay
  - b. Cost of living increases
  - c. Incentives
  - d. Commissions
- Q7. ... 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
- Q8. Which of the following is the objective of employee benefit program?
- a. To attract poor employees
  - b. To increase turnover
  - c. To meet health and safety needs
  - d. To increase prejudice
- Q9. ... is the limitation of merit pay programs.
- a. Open communication between management and employees
  - b. Failure to differentiate among performers
  - c. Accurate and comprehensive performance measure
  - d. Desirable competition among employees

- Q10. ... are universal compensable factors because virtually every job contains these four factors.
- Skill, effort, responsibility, and accountability
  - Skill, effort, responsibility, and loyalty
  - Skill, knowledge, responsibility, and effort
  - Skill, effort, responsibility, and working conditions
- Q11. Which of the following factors is not considered in job evaluation?
- Duties and responsibilities of the job
  - Dress code for employees
  - Skills required for the job
  - Efforts needed for the job
- Q12. ... are the reasons for employers' increased reliance on contingent workers.
- Economic recessions
  - International competition
  - Rise in female labor force participation
  - All of the above
- Q13. ... is hourly, weekly or monthly pay employees receive in exchange for work.
- Base pay
  - Services
  - Incentives
  - Benefits
- Q14. ... was designed by top executives as a means of protecting themselves in a merger or hostile takeover.
- Perquisites
  - Golden parachute
  - Executive's base salary
  - Incentive
- Q15. ... contain data about competing companies' compensation practices.
- Compensation surveys
  - Job analysis
  - Job design
  - Job evaluation
- Q16. The incentive plan that promote supportive, collaborative behavior among employees is called ...
- Individual incentive plan.
  - Group incentive plan.
  - Companywide incentive plan.
  - Piecework plan.
- Q17. ... provides a source of income for retirees, disabled workers, and surviving dependents of deceased workers.
- Unemployment compensation
  - Merit pay
  - Social security
  - Incentives
- Q18. Which of the following is a disadvantage of individual incentive pay programs?
- Promote an equitable distribution of compensation within companies
  - Promote the relationship between pay and performance
  - Possess the potential to promote inflexibility
  - None of the above
- Q19. Which of the following is the primary reason companies offer their employees vacation benefits?
- To ensure income replacement for employees when a temporary or permanent disability arises from an injury or extended illness.
  - To save food allowance of employees who take vacation benefits.
  - To allow employee a break from work in which they can refresh and reenergize themselves.
  - To reward employees who outperform at work.
- Q20. Which of the following is a merit of job sharing?
- Retention of skilled workers
  - Increasing of training costs that result from retraining laid-off employees
  - Strengthening employees' loyalty to the family
  - Maintenance of low productivity because of low morale



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

*Answer any FIVE questions:*

- Q1. Define compensation. Describe briefly major elements of compensation. [1+5]
- Q2. Explain the role of performance appraisal in designing an effective compensation system. [6]
- Q3. Describe briefly the relationship between compensable factors and job specifications. [6]
- Q4. Explain the different incentive plans that are popular in Nepalese organizations. [6]
- Q5. Provide your reaction to the statement, "Employee benefits is seen by employees as an entitlement for their membership in companies." Include the rationale for your argument. [6]
- Q6. Explain your view regarding compensation determination practices in private and public sector in Nepal. [6]
- Q7. Write short notes on (any two): [3+3]
- a. Competency based pay
  - b. Profit sharing plan
  - c. Compensation survey

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

*Answer any TWO questions:*

- Q8. a) Describe your reaction to the following statement: Compensation has no bearing on a company's performance. [7]  
b) Explain the factors that determine compensation. [8]
- Q9. Discuss the differences between job analysis and job evaluation. How do these practices help establish internally consistent job structures? [8+7]
- Q10. Discuss some of the problems that companies are likely to face when both contingent workers and core employees work in the same location. Does it matter whether contingent workers and core employees are performing the same jobs? Explain your answer. [8+7]

**SECTION D: CASE STUDY (20 MARKS)**

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

**Competitive Strategy at Sportsman Shoes**

Sportsman Shoes has been a leader in the shoe industry for more than 30 years. Sportsman manufactures and sells athletic shoes for all types of sports. The company has pursued a low-cost strategy in order to sustain their success. They sell a limited number of shoe designs and have held costs low through manufacturing efficiency and standardized operations. However, the past 5 years have been a struggle at Sportsman. The shoe market has seen a rise in the availability of low-cost imported shoes that has

threatened Sportsman's competitive position. As a result; company executives have decided it is time for a strategy shift.

Sportsman executives have done extensive market research and determined that many niche athletic shoe market exist where athletes are willing to pay more for shoes designed to meet the unique needs of their sport. There are very few competitors in these niche athletic shoe markets, and most do not have Sportsman's past experience in keeping control of manufacturing costs. Sportsman has determined that with talented shoe designers in place, they can manufacture athletic shoes to meet the needs of the niche markets using their current manufacturing facilities and employees. By designing shoes that have features that differ from competitors and meet the specific needs of a new group of customers, Sportsman believes the company can create a competitive advantage. Further, while their shoes will not be as low cost as they were in the past, they will likely be able to sell their shoes for less than market competitors and still make a healthy profit.

Therefore, Sportsman has decided to shift from their current low-cost strategy to a differentiation strategy and will begin production to make specialty athletic shoes. Sportsman must now make a many tactical decisions in various functional areas of the company to support their decision to shift their overall business strategy. Their first priority is to restructure the product development function. As they will need to understand the needs of the niche markets and design shoes to meet those needs, they will need to hire and retain talented shoe designers. The company will also need to hire operations specialists to transition their manufacturing operations to produce the new shoe designs. Beyond hiring new staff, Sportsman also must consider the implications for current employees to help them successfully transition to their new work requirements. Therefore, there are several considerations they must address in the area of human resource requirement.

**Questions:**

- a. Following Sportsman's shift in competitive strategy, what are some considerations for the company's human resource management practices? [7]
- b. What kind of challenges will Sportsman face specially in the area of compensation? [7]
- c. What could be your suggestions to Sportsman to overcome the challenges related to compensation? [6]



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R.No.....

Subject: Performance Management

Course Code: HRM 550

Full Marks: 100

Time: 4:00 Hours

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

*Tick the best answers*

- Q1. Which of the following sentences do you least agree with?
- Performance management is a continuous process.
  - It is a source of employee motivation
  - It is particularly important in organizations with low performance employees.
  - It heavily resorts to communication, supervision and feedback.
- Q2. Identify the benefit(s) of performance management.
- Increased motivation
  - Facilitation in organizational change
  - Increased competence in employees
  - All of the above.
- Q3. Performance management has strategic purpose because:
- It helps top management for achieving strategic objectives.
  - It furnishes valid and useful information for administrative decisions about employees.
  - It provides foundation for meaningful communication with employees.
  - It serves in process of identifying performance deficiencies and make correction.
- Q4. .... is the characteristic concerned with providing detailed and concrete guidance to employees about what is expected of them and how they can meet these expectations.
- Thoroughness
  - Validity
  - Meaningfulness
  - Specificity
- Q5. The word reliability describes:
- Clear communication of standards
  - Consistent evaluation of people in every department
  - Consistent and error free evaluation
  - Communication of results
- Q6. Out of two important prerequisites for implementing performance system, one is knowledge of the job in question and the other is:
- Employee's personal goal
  - Organization's mission and strategic goal
  - Experience
  - Education
- Q7. Which is the correct sequence of performance management process?
- Prerequisite – performance planning – execution- feedback – assessment
  - Prerequisite – execution – planning – review—feedback
  - Prerequisite – assessment – review – feedback
  - Prerequisite- planning – execution – assessment – review – feedback
- Q8. Identify the most important element that every employee should consider as the guiding principles of their workplace behavior?
- Behavior of senior managers
  - Behavior of employees working the best firms in the industry
  - Employees' discretionary behavior
  - Core values and ideology of the firm
- Q9. Which of the following falls outside the attributes of good vision statement in relation to linking employees' performance?
- Inspiring
  - Brief
  - Specific objective
  - Understandable

- Q10. Performance management does not agree with one of the following statements. Which one is it?
- Performance management system involves measuring both results and behaviour.
  - The process is evaluative.
  - Performance is multidimensional concept.
  - Performance must be clear and one-dimensional concept.
- Q11. Combination of knowing what to do and how to do it along with mental and interpersonal skills is described as:
- Procedural knowledge
  - Declarative knowledge
  - Task motivation
  - Technical knowledge
- Q12. Do you think any of the following relationships indicates performance?
- Cognitive skills x interpersonal skills x procedural knowledge
  - Psychomotor skills x declarative knowledge x motivation
  - Declarative knowledge x procedural knowledge x motivation
  - Declarative knowledge x procedural knowledge
- Q13. Choice to perform, levels of efforts and persistence of efforts are the indicators of:
- Declarative knowledge
  - Procedural knowledge
  - Motivation
  - Performance achievement
- Q14. Point out task performance in the following combinations of employee performance.
- Following organizational rules and policies honestly and helping colleagues
  - Activities that transform raw material into finished goods and distribution of finished goods
  - Operating machines and organizational citizenship behavior
  - Persisting with enthusiasm and volunteering
- Q15. Your manager asserts that you show good performance because he finds you intelligent, conscientious and assertive. This means he is measuring your performance based on:
- Trait approach
  - Behavior approach
  - Result approach
  - Nothing can be said about this.
- Q16. When do you think result based approach to measuring performance is suitable?
- Workers do not have good skills
  - Behavior is not related to result obviously.
  - There is one way to do the job right.
  - Workers are skilled in needed behavior.
- Q17. In which of the rating methods performances of employees are designed to follow approximately pattern of normal distribution?
- Simple rank method
  - Forced distribution
  - Critical incident method
  - Alternative rank method
- Q18. Identify comparative method of performance rating from the following alternatives.
- Essays
  - Simple rank methods
  - Critical incidents
  - Graphic rating scale
- Q19. Which statement is correct with regard to coaching?
- It is a skill specific instruction method.
  - It is a short term program for solving given performance problem of an employee.
  - It is general teaching about job skills.
  - It is collaborative and ongoing process of instructing, directing and motivating.
- Q20. A persuader coach normally follows this approach:
- Speaks quickly and firmly.
  - Considers the comfort and happiness of employees
  - Explains employees it is beneficial to organization and employee himself.
  - Talks about tasks and facts than personal feelings.

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

*Answer any FIVE questions:*

- Q1. Write the meaning of performance? What are its determinants? (2+4)
- Q2. How to evaluate the importance of link between performance management and strategic planning? How do you establish such link? (3+3)
- Q3. How do you distinguish between task performance and contextual performance? Which one is important? (5+1)
- Q4. State the meaning of competency. What type of competencies you expect in a salesman? Discuss. (2+4)
- Q5. Suppose you a consultant of a large modular furniture company and asked to design performance management system. What are the basic points or characteristics you consider while designing the system? (6)
- Q6. Give an introduction to 360 degree feedback system. What type of culture do you expect for implementing this? (3+3)
- Q7. Write short notes on (any two): (3+3)
- a. Strategic plan and performance management
  - b. Prerequisites for performance management system
  - c. Checklist method of performance evaluation

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

*Answer any TWO questions:*

- Q8. Critically discuss the relevance and relative suitability of absolute and comparative approaches to measuring performance clearly outlining points to consider while applying such approaches. (15)
- Q9. How far do you think behavior based approach to measuring performance is rational? Provide your critical remark. Under what conditions result based approaches to measuring performance is desirable? Include examples to support your answer. (7+5+3)
- Q10. Coaching is being important in managing people's performance. What fundamental principles you follow for effective coaching? Do you know different styles of coaching? Discuss the basic nature of each style of coaching. (7+8)

**SECTION D: CASE STUDY (20 MARKS)**

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

Disrupted Links in Performance Management Process

Omega Inc. is a small manufacturing company whose sales success or failure rests in the hands of sales representatives employed by franchised dealers operating independently. Omega faces a challenging situation because it does not have control over the people working for the independent dealerships. It is the performance of these individuals that dictates Omega's success. To make things more complicated, until recently there was no clear understanding of the role of the sales representatives and there was no formal sales process in place. Sales representatives varied in terms of skills and knowledge, most put out little efforts beyond taking orders, and they did not feel motivated to make additional sales. Finally, franchise varied greatly regarding their management strategies and follow up with Omega.

Recently, understanding the need to improve performance of sales representatives, Omega agreed to partially fund and support a training program for them. The network of franchise owners in turn agreed to work together to implement a performance management system. As a first step, the franchise owners conducted a job analysis of the role of the sales representatives, wrote a job description and distributed it to all sales representatives. The franchise owners also adopted a franchise-wide mission statement based primarily on the need to provide quality customer service. The mission statement was posted in all franchise offices, and each franchise owner spoke with his employees about the contribution made by individual sales on achieving their mission. As a second step, the managers set performance goals for each employee. Then, all sales representatives attended extensive training sessions. The employees received feedback based on their training course and then were reminded once again of their sales quotas.

Back of the job, managers gave feedback to their employees regarding their standing in relation to their sales quotas. Since the employees had no way of monitoring their own progress toward their quotas, the performance feedback consisted of little more than a reiteration of monthly sales goals. There was no performance appraisal form in place, so discussions were not documented. This lack of feedback continued and, although sales quotas were met for the first few months, franchise owners received complaints from customers about low quality for customer service they were receiving. Subsequently sales began to decline. Furthermore, many orders were often incorrect, forcing customers to return items to Omega.

While the new performance management process was an improvement over no performance management, the franchise owners were still far from having a system that included a smooth transition between each of the components of the performance management process.

**Questions:**

- a. Discuss how performance management system of franchise helps business success of Omega. (6)
- b. Prescribe a typical sequence of performance management system and related it to the case to show the existing gap.(6)
- c. Recommend some specific actions for Omega management with regard to fulfilling the gap you identified in (b). (8)





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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. Money market where debt and stocks are traded and maturity period is more than a year is classified as:
- a. Shorter term markets
  - b. Capital markets
  - c. Counter markets
  - d. Long-term markets
- Q2. In capital markets, major suppliers of trading instruments are:
- a. Government and corporations
  - b. Liquid corporations
  - c. Instrumental corporations
  - d. Manufacturing corporations
- Q3. 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
- Q4. Which of the following are money markets instruments?
- a. National Savings Certificates.
  - b. A 3-month certificate of deposit.
  - c. A treasury bill with 7 days to maturity.
  - d. A 14-day repurchase agreement of Treasury 8% 2007
- Q5. Which one of the following is not a depository institution?
- a. Commercial banks
  - b. Saving institutions
  - c. Credit unions
  - d. Insurance company
- Q6. Which type of deposits gives highest rate of interest?
- a. Current deposit
  - b. Fixed deposit
  - c. Recurring deposit
  - d. None of these
- Q7. Form of market efficiency which considers speed with which information at public level is impounded in prices of stock is classified as:
- a. Semi-strong form market efficiency
  - b. Expensive form market efficiency
  - c. Weak form of market efficiency
  - d. Strong form of market efficiency
- Q8. Which of the following is not a capital market security?
- a. Bond
  - b. Mortgage
  - c. Mortgage backed securities
  - d. Certificate of deposit
- Q9. Transaction cost of trading of financial instruments in centralized market is classified as:
- a. Flexible costs
  - b. Low transaction costs
  - c. High transaction costs
  - d. Constant costs

- Q10. In primary markets, property of shares which made it easy to sell newly issued security is considered as:
- Increased liquidity
  - Decreased liquidity
  - Money flow
  - Large funds
- Q11. Markets in which derivatives are traded are classified as:
- Assets backed market
  - Cash flow backed markets
  - Mortgage backed markets
  - Derivative securities markets
- Q12. Which one is not a Nepalese money market instruments?
- Treasury bill market
  - Short-term credit by commercial bill market
  - Short term National Savings Certificates.
  - Power bond
- Q13. Type of market in which securities with less than one year maturity are traded is classified as:
- Money market
  - Capital market
  - Transaction market
  - Global market
- Q14. Transaction cost of trading of financial instruments in centralized market is known as:
- Flexible costs
  - Low transaction costs
  - High transaction costs
  - Constant costs
- Q15. Speed with which prices of stocks are adjusted to unexpected news related to interest rates is called:
- News efficiency
  - Adjusted efficiency
  - Expected efficiency
  - Market efficiency
- Q16. ... is the product of numbers of share outstanding and price of stock.
- Secondary market values
  - Current market values
  - Past market values
  - Primary market values
- Q17. Which of the following is an example of direct tax?
- Sales tax
  - Commodity tax
  - Income tax
  - None of these
- Q18. Composite value of traded stocks group of secondary markets is classified as:
- Stock index
  - Primary index
  - Stock market index
  - Limited liability index
- Q19. Indexes in which price of stock of companies listed in stock market index are added together and is divided by an adjusted value are classified as:
- Herring indexes
  - Group indexes
  - John indexes
  - Dow Indexes
- Q20. An inverted yield curve implies that:
- Long-term interest rates are lower than short-term interest rates.
  - Long-term interest rates are higher than short-term interest rates.
  - Long-term interest rates are the same as short-term interest rates.
  - Intermediate term interest rates are higher than either short- or long-term interest rates.

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

Answer any FIVE questions:

- Q1. Examine the major role of Nepal Stock Exchange. List the important Stock Exchanges operating across the world and also highlight the various types of stock market indices. (6)
- Q2. Is mutual fund and investment bank are interrelated with each other? Highlight the prospectus of mutual fund at Karnali Province of Nepal. (3+3)
- Q3. How the financial markets facilitate the flow of funds? Describe the types of securities traded within financial markets. (6)
- Q4. Examine how the money market provides a means for lenders and borrowers to satisfy their short-term financial needs. (6)
- Q5. How central bank and Monetary policy relates with each other? Examine the role of Central Bank to facilitate the microfinance in Nepal. (4+2)
- Q6. How do you explain the term structure of interest rates? Explain about interest rates vary through time because inflation rates are expected to differ through time. (4+2)

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

Answer any TWO questions:

- Q7. 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 and 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, explain the functions of Investment banking. How the investment Banks facilitate new stock issues? (8+7)
- Q8. Examine the role of depository institutions none depository institutions also explore the main sources and uses of funds. Determine the role of financial institutions within financial markets to upgrade the development of infrastructural financing at Karnali Province of Nepal. (8+7)
- Q9. Monetary policy is a policy statement, through which central bank targets a key set of indicators to ensure price stability in the economy. Explain the concept of Money Supply. What are the tools the central bank can use to achieve the price stability objective of the monetary policy? (8+7)

**SECTION D: CASE STUDY (20 MARKS)**

- Q10. Read a case given below and answer the following questions:

**Nepalese Capital Market Reform**

The efficiency of capital markets depends on well-developed securities laws, stock exchange regulations and enforcement mechanisms that ensure that all issuers and investors are treated fairly and equitably. It also depends on companies providing timely, accurate and reliable information to investors, especially financial reports, to help them assess the performance and financial condition of listed companies and make investment decisions.

As Nepal has a developing capital market, so is the case of securities laws and regulations. The growth of Nepali capital market is reflected in the increased turnover, market capitalization and number of listed companies. In such a situation, the unique characteristics of the Nepali economy must be taken into account while reforming its securities legislation and regulation. Effective market regulation that encompasses the needs of both large and small public companies is particularly challenging for Nepal, a relatively small market that is yet to be integrated with global markets.

Keeping this in mind, Nepal Stock Exchange Limited (Nepse), the operator of the country's secondary market as well as the frontline regulator, has been stepping up process for reforming Nepal's capital market. The latest example of such reform initiatives is reflected in the introduction of draft 'Trading Automation Bylaw-2070' and draft 'Rights Trading Bylaw-2070' as well as providing multiple login facility to registered stock broker companies.

**Rights Trading Bylaw**

In Right Share offering, issuers give existing shareholders the right to buy new shares at a specified price, generally at face value of company's shares. As they allow current shareholders to avoid dilution, regulators in most of the countries favour rights offerings. Theoretical descriptions of rights offerings often assume that shareholders who do not want to exercise their rights can sell them instead. However, this assumption does not always hold true. In some countries, rights cannot be traded at all; in many other countries, the issuer itself decides whether or not rights will be tradable. Even though rights markets are often illiquid, investors appreciate rights tradability as it makes their rights tradable. But many countries still restrict the tradability of rights.

In this context, Nepse has formulated a draft 'Right Trading Bylaw-2070' and has made it public for comments and suggestions. It has requested for constructive inputs and value addition from the regulators, stakeholders and experts so as to make the bylaw more practical and instrumental to make trading of rights transparent and efficient. It is claimed that

the introduction of right trading would further enhance the country's secondary market. Fundamentals of rights trading are as follows:

### **Trading of rights**

In the rights offerings of listed companies, shareholders who choose not to exercise their rights can trade them in a secondary market during the offering period. In absence of such mechanism trading of rights is rare and costly, and it typically involves larger blocks of rights, which is informal in Nepal till date.

### **Non-exercised rights**

Presently an issuer only can sell any rights that were not exercised to a standby buyer or place them in the public auction after the subscription period. Standby buyers are usually controlling shareholders, related parties, or underwriters. Public placements typically occur in an accelerated book-building process that is comparable to cash offerings. In order to avoid such situation some issuers also provide shareholders an "oversubscription privilege" that entitles subscribers to a second premeative right to the unsubscribed shares.

### **Regulations**

Rights offerings, tradability, and reimbursements have to be regulated by securities laws and listing rules. Otherwise, it makes rights offerings susceptible to possible conflicts of interest between groups of shareholders. For example, issuers in most countries exclude foreign shareholders from the distribution and/or tradability of rights. Further variants arise as a function of differences in brokerage agreements. In many European countries, most brokers can sell rights even when shareholders give no instructions to exercise or sell. Therefore, the trading of rights offerings should be well regulated and managed in order to avoid possible frauds and malpractice in the markets.

### **Proposed Trading Automation Bylaw**

A fully automated trading system (ATS) is one that can trade various types of market securities during the trading day without user monitoring. All aspects of trading, such as obtaining market prices, analysing price patterns, making trading decisions, placing orders, monitoring order executions, and controlling the risk are automated according to the user preferences. The Automatic Trading system can work systematically and consistently following a predefined set of rules.

Now most of the stock exchanges worldwide have been operating through ATS. However, Nepal's stock market still operates through a semi-automated manual trading system. In such a situation Nepal Stock Exchange Ltd. has recently planned to introduce 'Automated Trading Bylaw'. This is expected to expedite the modernization of country's secondary market. The proposed bylaw will replace the existing 'Trading Bylaw 2055' and is thus expected to enhance the efficiency as well as transparency in securities trading. Nepse has requested comments, inputs and suggestions on this bylaw draft from concerned stakeholders including the regulators, stockbrokers, investors, experts and the academia.

### **Benefits of Trading Automation**

The proposed concept of 'Securities Dealer' in the trading bylaw draft is expected to stabilize the stock market. It will come into operation, once the draft is finalized and approved by the Securities Board of Nepal (SEBON). Nepse lays the concept of securities dealer is proposed with an aim to contain the unwanted and unnatural fluctuation in stock prices that take place in the market time and again. In absence of securities dealer in the secondary market, market operator as well as the regulator has not been able to protect small investors from unwanted price fluctuations.

### **Promoter and Public Shares**

The trading bylaw draft has proposed to remove the difference between the prices of promoter and public shares of Banks and Financial Institutions (BFIs). Presently there is discrepancy between the prices of promoter and public share of BFIs. There are various flaws in trading, clearing and settlement as well as in taking loan against the collateral of promoter shares because of such discrepancies. In order to remove them the bylaw draft has envisioned a separate 'Block Trading Window' under Nepse's trading system. Presently such block trading is carried out manually. According to the new bylaw, the price of promoter shares of BFIs will be determined through negotiation between the buyers and the sellers.

### **Block Trading**

An act of sell or purchase of a large quantity of securities is known as block trading. A block trade involves a significantly large number of shares or bonds being traded at a predetermined price between parties, outside of the open markets. Block trading mechanism is considered instrumental in order to minimize the impact of such a large trade hitting the market index. Although the definition of 'Block Trading' may vary in different countries, the bylaw draft has defined the purchase and sell of more than 10 thousand units of shares (whether promoter or public) as 'Block Trading'.

### **Questions:**

- a. Examine the unique characteristics of the Nepali economy which must be taken into account while reforming its securities legislation and regulation. (6)
- b. Why the trading of rights offerings should be well regulated and managed? (6)
- c. How the Automatic Trading system can work systematically and consistently? (4)
- d. Examine how the automated trading system and block trading mechanism can be conducted as per the reform model. (4)



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

Subject: Strategic Financial Management  
Full Marks: 100

Course Code: MGT 547  
Time: 4:00 Hours

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

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

Answer any FIVE questions:

- Q1. Explain the merits and demerits of short term financing. (3+3)
- Q2. Latif Sarif, owner of Sarif Enterprises, is negotiating with Mega Bank Ltd. for Rs 500,000, 1-year loan. Mega Bank has offered Sarif the following alternatives.
- A 13 percent annual rate on a simple interest loan, with no compensating balance required and interest due at the end of the year.
  - A 10 percent annual rate on a simple interest loan, with 15 percent compensating balance required and interest again due at the end of the year.
  - An 8.75 percent annual rate on a discount loan, with 15 percent compensating balance.
- Calculate the effective annual interest rate for each alternative. Which alternative has the lowest effective annual interest rate? (3+3)
- Q3. The common stocks of Machhapuchhere Company and Annapurna Inc. have expected returns of 15 percent and 20 percent, respectively, while the standard deviations are 20 percent and 40percent. The expected correlation coefficient between the two stocks is 0.36. What is the expected rate of return and standard deviation of a portfolio consisting of 40 percent investment in Machhapuchhere and 60 percent in Annapurna? (6)
- Q4. Explain the valuation model for super normal growth stock. (6)
- Q5. What do you mean by stock repurchase? In which situations a company prefers to repurchase stock rather than cash dividend. Explain. (3+3)
- Q6. Stocks X and Y have the following probability distribution of expected future returns:

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

- Calculate the expected rate of return,  $K_Y$  for Stock Y ( $K_X = 12\%$ ) (2)
  - Calculate the standard deviation of expected returns for stock X. (That for Stock Y is 20.35) (3)
  - Calculate the coefficient of variation for Stock Y. Is it possible that most investors might regard Stock Y as less risky than Stock X? Explain (1)
- Q7. The Bajra Textile Company's shareholders' equity account (book value) as of December 31, 2018, is as follows:
- |  |                      |
|--|----------------------|
| Common stock (Rs 100 par value; 50,000 shares) | Rs 5,000,000         |
| Additional paid-in capital                     | 7,000,000            |
| Retained earnings                              | <u>25,000,000</u>    |
| Total shareholders' equity                     | <u>Rs 37,000,000</u> |
- Currently, Bajra is under pressure from shareholders to pay some dividends. Bajra's cash balance is Rs 800,000, all of which is needed for transactions purposes. The stock is trading for Rs 380 a share.
- Reformulate the shareholders' equity account if the company pays a 25 percent stock dividend. (3)

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

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

Answer any TWO questions:

- Q8. Define merger. What are its types? Explain the benefits of merger and acquisition. (4+3+8)
- Q9. A-10 year, 14 percent semi-annual coupon bond, with a par value of Rs 1,000 may be called in 4 yrs at a call price of Rs 1,060. The bonds sell for Rs. 1100. (Assume that the bond has just been issued).
- What is the bond's yield to maturity? (5)
  - What is the bond's current yield? (2.5)
  - What is the bond's capital gain or loss yield? (2.5)
  - What is the bond's yield to call? (5)
- Q10. Sungava Media Company is attempting to determine whether to lease or purchase a new sound mixing system. The firm is in the 40 percent tax bracket and the after-tax cost of debt is currently 6 percent. The term of lease and purchase are given below:
- Lease:** Annual advance lease payments of Rs 19,744 are required over its four years life. The lease payment is one deductible for tax purposes until the service is actually received.
- Purchase:** The sound mixing system costing Rs 70,000 could be purchased. Straight-line depreciation and no salvage value would be used. The purchase would be financed with a Rs 70,000, 9 percent loan requiring four annual end of year payments of Rs 21,607.
- Calculate the after-tax cash outflows associated with each alternative. (8)
  - Calculate the present value of each of these cash flow streams by using the after-tax cost of debt. (5)
  - Which alternative would you recommend? Explain. (2)

### SECTION D: CASE STUDY (20 MARKS)

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

Laligurash Enterprises is one of the leading business organizations in Karnali Province. Its business is limited into Karnali Province only. Mr. CK Rawat the president of Laligurash Enterprises is considering expanding its business in all over the country in next year. For this purpose it needs Rs 5,000,000 to install new production plant. Laligurash has following two financial plan to finance this needed fund.

Source	Financial Plan A	Financial Plan B
Equity Share (@ Rs 100 each)	50%	35%
10% Debenture	30%	40%
12 % Preferred Stock	20%	25%

**Required:**

- Calculate indifference EBIT for both financial plans. Assume tax rate of 40 percent. (4)
- If Laligurash Enterprises expects EBIT of Rs 400,000, which financial plan will be appropriate? If expected EBIT is Rs 1000,000 which financial plan will be appropriate? (2)
- Calculate EPS for both financial plan at EBIT of Rs 683,333.33, at Rs 400,000 and at Rs 1000,000. (6)
- Calculate expected EPS and standard deviation of EPS if the probability of EBIT of Rs 683,333.33 is 0.40, EBIT of Rs 400,000 is 0.30 and EBIT of Rs 1000,000 is 0.30. (6)
- Which financial plan is more risky and which financial plan is less risky? Why? (2)



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FINAL EXAMINATION: 2019  
MASTER OF BUSINESS ADMINISTRATION (MBA)  
SEMESTER – IV

R.No.....

Subject: Strategic Financial Management  
Full Marks: 100

Course Code: MGT 547  
Time: 4:00 Hours

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

*Tick the best answer:*

- Q1. Interest is deducted in advance on .....
- a. add-on loan
  - b. simple loan
  - c. discounted loan
  - d. all of the above
- Q2. .... is a formal legal commitment between a bank and its customer.
- a. Trade credit
  - b. Line of credit
  - c. Revolving credit
  - d. Commercial Paper
- Q3. Commercial paper is a.....
- a. non-spontaneous source of financing
  - b. unsecured source of financing
  - c. secured source of financing
  - d. all of the above
- Q4. Tax is deductible on .....
- a. lease rent
  - b. instalment of loan
  - c. both a & b
  - d. none of the above
- Q5. There exist ..... relationship between market interest rate and price of bond.
- a. positive
  - b. inverse
  - c. linear
  - d. all the above
- Q6. .... is sold at heavy discount.
- a. Perpetual bond
  - b. Straight bond
  - c. Zero-coupon bond
  - d. Redeemable bond
- Q7. A company may call the bonds when:
- a. Interest rates have dropped
  - b. Interest rates have increased
  - c. It is not earning profits
  - d. None of the above
- Q8. A stock with Beta ( $\beta$ ) greater than 1 is known as:
- a. defensive stock
  - b. aggressive stock
  - c. equilibrium stock
  - d. none of the above
- Q9. .... is used to determine the portfolio expected rate of return.
- a. Security market line (SML)
  - b. Capital market line (CML)
  - c. Sharpe Index
  - d. None of the above
- Q10. The ..... is the measure of total risk.
- a. covariance
  - b. coefficient of variation
  - c. standard deviation
  - d. beta coefficient

- Q11. 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
- Q12. Dividend is relevant according to .....theory:
- a. Birds in hand
  - b. Modigliani and Miller's
  - c. Tax preference
  - d. All the above
- Q13. Stock repurchase is the alternative of .....
- a. distribution of stock dividend
  - b. raising additional capital
  - c. distribution of cash dividend
  - d. all the above
- Q14. 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
- Q15. A conglomerate merger takes place when .....
- a. two firms in the same line of business merge
  - b. unrelated businesses merge
  - c. buyer-seller relationships firm merge
  - d. none of the above
- Q16. An acquisition of a company or division of another company financed with a substantial portion of borrowed fund is called.....
- a. reverse merger
  - b. leveraged buyout
  - c. management buyout
  - d. all the above
- Q17. The financial risk of the firm is measured through:
- a. combined leverage
  - b. operating leverage
  - c. financial leverage
  - d. all the above
- Q18. 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
- Q19. Higher degree of financial leverage means:
- a. High debt proportion
  - b. Lower debt proportion
  - c. Equal debt and equity
  - d. No debt
- Q20. Combined leverage shows the relationship between:
- a. Sales and EBIT
  - b. EBIT and EPS
  - c. Sales and EPS
  - d. All of the above



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

R.No.....

Subject: Security Analysis and Portfolio Management  
Full Marks: 100

Course Code: MGT 548  
Time: 4:00 Hours

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

*Tick the best answer:*

- Q1. The portion of income not spent on ..... is saving.
- a. Consumption
  - b. Production
  - c. Distribution
  - d. None
- Q2. The short term financial instruments traded in money market and issued by the highly credit worthiness reputed organization is commonly called:
- a. Bonds
  - b. Shares
  - c. Notes
  - d. Commercial Papers
- Q3. Which of the following is true about risk averse investor?
- a. They care only about risk
  - b. They care only about returns
  - c. They might hold a risky security as part of a portfolio even if it's expected return is less than the risk-free rate
  - d. They prefer a risk - free security to a risky security
- Q4. The unsystematic risk of a specific security:
- a. is likely to be higher in an increasing market
  - b. results from factors unique to the firm
  - c. depends on market volatility
  - d. can not be diversified away
- Q5. Standard deviation and beta both measure risk, but they are different in that:
- a. Beta measures both systematic and unsystematic risks,
  - b. Beta measures only systematic risk while standard deviation is a measure of total risk
  - c. Beta measures only unsystematic risk while standard deviation is a measure of total risk
  - d. Beta measures total risks while standard deviation measures only systematic risk
- Q6. You invest 55 percent of your money in security A with beta of 1.4 and the rest of your money in security B with beta of 0.9. The beta of the resulting portfolio is:
- a. 1.466
  - b. 1.157
  - c. 0.968
  - d. 1.175
- Q7. 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 which of the following correlation coefficients with the other investment in the portfolio?
- a. -1
  - b. -0.5
  - c. 0
  - d. +1
- Q8. Primary market is also known as:
- a. Money market
  - b. IPO market
  - c. Capital market
  - d. Secondary market
- Q9. Which of the following is used to calculate NSESE Float index?
- a. Total market price per shares of NSESE
  - b. Total market value of shares of NSESE
  - c. Total market capitalization of publicly floated shares of NSESE
  - d. Total price relatives of NSESE
- Q10. A type of an account where shares and securities are held electronically to enable trading transaction & settlements in stock exchange, thereby eliminating the need of physical financial instrument is:
- a. Current account
  - b. Margin account
  - c. Demat account
  - d. All of the above

- Q11. Bill, Jim and Shelly are all looking to buy the same stock that pays dividends. Bill plans on holding the stock for one year. Jim plans on holding the stock for three years. Shelly plans on holding the stock until she retires in 10 years. Which one of the following statements is correct?
- Bill will be willing to pay the most for the stock because he will get his money back in one year when he sells.
  - Jim should be willing to pay three times as much for the stock as Bill because his expected holding period is three times as long as Bill's.
  - C. Shelly should be willing to pay the most for the stock because she will hold it the longest and hence she will get the most dividends.
  - D. All three should be willing to pay the same amount for the stock regardless of their holding period.
- Q12. Everything equal, which variable is negatively related to intrinsic value of a company?
- $D_1$
  - $D_0$
  - $k$
  - $g$
- Q13. The current yield on a bond is equal to:
- Annual interest payment divided by the current market price
  - The yield to maturity
  - Annual interest divided by the par value
  - The internal rate of return
- Q14. A coupon bond that pays interest annually is selling at par value of 1000 matures in, 5 years, and has a coupon rate of 9%. The yield to maturity on this bond is:
- 8 %
  - 8.3 %
  - 9 %
  - 10 %
- Q15. Which version of the EMH states that only past price information is reflected in prices?
- Weak form.
  - Semi-strong form.
  - Strong form
  - All of the above
- Q16. 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
- Q17. Jensen's performance index gives importance
- To the assets combination
  - Professional management
  - The market condition
  - The predictive ability of manager
- Q18. Which of the following is not the element of fundamental analysis?
- GDP
  - Inflation
  - Interest rate
  - Dow Theory
- Q19. The chartist believes that charts:
- Spot the current trend for buying and selling
  - Indicates the future action to be taken
  - Shows the past historic movement
  - All the above
- Q20. In the bull market:
- The stock price are decreasing
  - Each peak is higher than the previous peak
  - Each bottom is lesser than the previous bottom
  - All of the above



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

Subject: Security Analysis and Portfolio Management

Course Code: MGT 548

Full Marks: 100

Time: 4:00 Hours

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

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

Answer any FIVE questions:

- Q1. "There is nothing wrong with making money but its how you make the money that count's." Comment on the statement. [6]
- Q2. Define a primary and secondary market for securities and discuss how they differ. Discuss why the primary market is dependent on the secondary market. [4+2]
- Q3. "Nepali stock market is efficient". Discuss.
- Q4. The following information describes the expected return and risk relationship for the stocks of WAH's computers:
- |  |     |
|--|-----|
| Expected return on Treasury bill       | 7%  |
| Expected return on market portfolio    | 15% |
| Standard deviation on market portfolio | 20% |
- Using only the data shown above:
- a) Draw and label a graph showing the Security Market Line and also position the WAH's computers stock that has systematic risk coefficient beta of 1.25 relative to it. [3]
- b) Would you consider that WAH's computers stock to be an attractive investment, if the expected rate of return for the stock is forecasted to 14% by an independent estimator? In a market that is striving toward equilibrium, what would happen to the price of stock? [3]
- Q5. Gentry Can Company's (GCC) latest annual dividend of Rs.1.25 a share was paid yesterday maintaining its historic rate of growth. You plan to purchase the stock today because you believe that the dividend growth rate will increase to 12 percent for the next three years and then settle to 8 percent per year forever.
- a. How much should you be willing to pay for the GCC stock if you require a 12 percent return? [3]
- b. What is the maximum price you should be willing to pay for the GCC stock if you believe that the 8 percent growth rate can be maintained indefinitely and you require a 12 percent return? [2]
- c. If the 8 percent rate of growth is achieved, what will the price be at the end of Year 3, assuming the conditions in Part b? [1]
- Q6. What is net assets value (NAV)? How do you determine the NAV of mutual funds? Explain with example. [6]
- Q7. Write short notes (On any Two): [6]
- a) Investment Environment
- b) Listing of securities
- c) Fundamental Analysis

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

Answer any TWO questions:

- Q8. What is active portfolio management? How do you evaluate the portfolio performance using Sharpe, Treynor and Jensen measures? Explain with illustrations. [2+13]
- Q9. Mr. Rabindra owns a portfolio with the following characteristics. (Assume that returns are generated by two factor model):

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

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

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

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

Q10. D) Following is the market information for the securities of three companies:

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

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

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

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

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

**SECTION D: CASE STUDY (20 MARKS)**

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

Assume that you recently graduated with a major in finance, and you just joined as a financial planner with Online Investment Inc., a large financial services corporation. Your assignment is to invest Rs 100,000 for a client. Because your client needs funds at the end of year, you have been instructed to plan for a 1-year holding period. Further, your boss has restricted you in the following investment alternatives with their outcomes and associated probabilities.

State of Economy	Probability	Estimated rate of return			
		T-bills	Technology stock	Manufacturing stocks	Market portfolio
Recession	0.1	8.0%	- 22.0%	10.0*	-13.0%
Below average	0.2	8.0	- 2.0	- 10.0	1.0
Average	0.4	8.0	20.0	7.0	15.0
Above average	0.2	8.0	35.0	45.0	29.0
Boom	0.1	8.0	50.0	30.0	43.0

\* Note that the estimated returns of manufacturing sectors do not always move in the same direction as the overall economy. For example, when the economy is below average, consumers purchase fewer than they would if the economy was stronger. However, if the economy is in a flat out recession, a large number of consumers choose to wait and instead purchase new items for they currently own. Under these circumstances, we would expect manufacturing sector's stock price to be higher if there is a recession than if the economy was just below average.

Online Investment Inc.'s economic forecasting staff has developed probability estimates for the state of economy and its security analysts have developed a sophisticated computer program which was to estimate the rate of return on each alternative under each state of the economy. The firm also maintains an "index of market return" with a market-weighted fraction of all publicly traded stocks; you can invest in that fund, and the average stock market results.

**Questions:**

- Why is the T-bill's return independent of the state of the economy? Do T-bills promise a completely risk-free return? Why are Technology Stock's returns expected to move with economy whereas Manufacturing Stocks are expected to move counter to the economy? [3]
- Calculate the expected rate of return on each alternative. [6]
- You should recognize that basing a decision solely on expected returns is only appropriate for risk neutral individuals. Because your client, like virtually every one, is risk averse, riskiness of each alternative is an important aspect of decision. One possible measure of risk is the standard deviation of returns. Calculate the standard deviation for each alternative. What type of risk is measured by standard deviation? [7]
- Suppose you suddenly remembered that the coefficient of variation (CV) is generally as being a better measure of risk than the standard deviation when alternatives being considered have widely differing expected returns. Calculate the CVs. Does the CV produce same risk ranking as the standard deviation? [4]

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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 answers*

- Q1. Organizational training needs generally occur when:
- Other competing organizations are conducting extensive training programs.
  - Information technology systems need upgrading.
  - There is some kind of barrier hindering the achievement of organization aims and objectives which is best removed by training.
  - Government provides additional funding.
- Q2. Whose model has the four levels of reaction, learning, behavior and results in the evaluation of training program?
- Alleger and Janak
  - Goldstein
  - Cooper and Robertson
  - Kirkpatrick
- Q3. A change process through which employees formulate the change that is required and implement it, often with assistance of trained consultants.
- Application development
  - Organizational development
  - Behavior development
  - Task development
- Q4. Carefully preparing a training manual so that each idea effectively builds on the previous ideas illustrates which training principle?
- Stimulus: meaningful organization of materials
  - Response: practice and repetition
  - Feedback: knowledge of results
  - Transfer of training: sequencing the learning
- Q5. The best way of determining cost effectiveness of a training is to:
- Look for reductions in voluntary turnover.
  - Measure improvements in performance.
  - Assess the attitude changes in participants.
  - Compare the costs and benefits associated with the training.
- Q6. The process of selectively reinforcing a response to change the behavior of a person is associated with:
- Behavioral modeling
  - Operant conditioning
  - Education
  - Learning
- Q7. Which of the following requires high interaction group activities to increase trust and openness among team members?
- Sensitivity training
  - Process consultation
  - Team building
  - Intergroup development
- Q8. A company based method for exposing prospective managers to realistic exercises to develop improved management skills is called:
- Social reinforcement
  - Understudy approach
  - In-house development centers
  - National HRD network
- Q9. An important advantage of on-the-job training is that it:
- Provides immediate transfer of training.
  - Allows employees to learn at their own rate without any pressure to produce.
  - Provides for greater group interaction.
  - Reduces the cost of supervision.

- Q10. Which of the following training programs would most likely to be conducted by external training resources?
- a. Train-the-trainer
  - b. OSHA training
  - c. Harassment training
  - d. Orientation
- Q11. It is common in all the four phases of the learning process.
- a. Reaction
  - b. Results
  - c. Questioning
  - d. Behavior
- Q12. A section of an employer's website that offers employee online access to many or all of the training courses they need to succeed at their jobs is .....
- a. Learning portal
  - b. Virtual reality
  - c. Graphic media
  - d. Simulations
- Q13. Stan is trying to implement a new organizational structure at his company. A group of key employees is resisting change. In an attempt to 'buy off ' the leaders, Stan is giving them a key role in the change decision. He doesn't really value their opinion but wants their endorsement. Stan is using the change strategy of:
- a. Education
  - b. Negotiation
  - c. Cooptation
  - d. Coercion
- Q14. The system model of training contains three phases: ..., training and development and evaluation.
- a. Preparation
  - b. Introduction
  - c. Assessment
  - d. Organizing
- Q15. The best strategy for reducing the problems of transfer of training is:
- a. To have the trainee practice the learning longer in each training session.
  - b. To lengthen the training time over additional training periods.
  - c. To provide more immediate feedback during the training period.
  - d. To have the trainee develop an action plan for implementing the new learning.
- Q16. The most common type of employee training is:
- a. Learning by actually doing the job training.
  - b. Training on off-the-job equipment.
  - c. Modeling the behavior of others.
  - d. A combination of classroom instruction and on-the-job training.
- Q17. A training specialist is able to show that training has decreased turnover by 10%. At what level has the training been evaluated?
- a. Learning
  - b. Reaction
  - c. Results
  - d. Behavior
- Q18. Usage of internet for training employees of an organization is classified as:
- a. Compression learning
  - b. Outsource learning
  - c. E-learning
  - d. Supported learning
- Q19. Which of the following is a benefit of employee training?
- a. Improves employees morale
  - b. Provides a good climate for learning, growth and coordination
  - c. Helps people identify with organization goals
  - d. None of the above
- Q20. Which of the following is not an example of training need analysis?
- a. Task analysis
  - b. Operations analysis
  - c. Organizational analysis
  - d. Individual analysis



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. "Human resource development is nothing but looking at the development of manpower of an organization in the light of its requirements." Do you agree with this statement? Give reasons for your views. (6)
- Q2. Describe at least three ways that factors in the external environment influence employee behavior. (6)
- Q3. Compare and contrast the need based and cognitive based approaches to understanding motivation. (6)
- Q4. Critically analyze the Kirk Patricks model for evaluating training programme effectiveness. (6)
- Q5. What is the relationship between organizational needs analysis and strategic planning? How can tying HRD programs to an organizations strategic plan make it easier to justify requests for resources to develop and deliver HRD programs? (6)
- Q6. Why are behavioral objectives and lesson plans effective to HRD interventions? What role they play in the design, implementation and evaluation of HRD programs? (6)
- Q7. Write shorts notes on (any two): (3+3)
- a. Role of training providers
  - b. Cross cultural training
  - c. Lewin's change process

**SECTION C: LONG ANSWER QUESTIONS (2 x 15 = 30 MARKS)**

*Answer any TWO questions:*

- Q8. List out the various types of "on -the- job" and "off- the- job" training methods and explain any two methods in each category. (15)
- Q9. Using a training topic of your choice, what audiovisual methods would be most appropriate in presenting this method to a group of trainees? Why did you pick the method or methods that you did? Explain with examples. (15)
- Q10. Imagine you have been asked to design a training workshop for a group of employees who have been recruited for the floor level operations of the hotel. How will you proceed? Explain each step in detail. (15)

**SECTION D: CASE STUDY (20 MARKS)**

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

**Ajax Minerals**

Ajax Minerals is a U.S. mining company. Recently, it was operating at full capacity, but there were problems on the horizon. Within the next three or four years, Pacific Rim companies will be able to mine and ship the same minerals to the United States for less than Ajax can get them out of the ground. The leadership team saw this challenge and wanted to do something immediately. However, no one else in the company saw the threat.

Supervisors and hourly workers could only see that work was going on around the clock and that they were earning a lot of overtime pay.

Although the current group of senior managers was fairly well respected, there was a history within Ajax of poorly run changes and even poorer management-labor relations. The latter had got so bad that if management asked for something, workers were immediately suspicious that management was up to something that would have unpleasant outcomes for the workers (e.g., layoffs, pay cuts). In light of this, the leadership team was aware that, at the very least, the workers' reaction to any current initiative was likely to be a resigned "here we go again." Similarly, they were concerned that the union was likely to view any reference by management to "problems on the horizon" as a ploy to gain concessions during the next contract talks.

Given the history of their relationship, the leadership team expected workers to drag their feet on implementing any new approaches and by so doing undermine the prospects of success. History suggested that both supervisors and workers would do just enough to "get by", that is, they would provide minimum compliance. Ajax management responded to the situation by establishing interactive sessions involving managers and supervisors. They decided that they needed to make a compelling case for change before they began thinking about specific strategies. In the past, they had done the planning before ever getting others involved in any way and suspected that that had contributed to the subsequent resistance. During the interactive sessions, the general manager and the managers made the case for change. As part of this process, they used stories about various companies that had faced similar situations and had suffered badly as a result of their inability to respond to competitive forces. They also, for the first time, adopted an "open-book" approach in which employees were given unprecedented access to data on Ajax's financial performance, particularly "the numbers that drive the business." Following on from this, a practice was established whereby workers, supervisors, and managers met weekly to share key performance numbers.

In view of all the Ajax management, they are already seeing a new level of cooperation between management and labor and are hopeful that it will help turn around the situation that has applied in the past in terms of management labor relations.

**Questions:**

- a. Identify two sources of resistance to change in the Ajax Minerals exercise. (5)
- b. Describe how the organization dealt with each type of resistance. (5)
- c. Consider a situation as a consultant with Ajax Management. Propose two adjustments that should be made to improve its change strategy and provide a justification as to why those adjustments would improve the effectiveness of the strategy. (5)
- d. How you will reduce resistance to change from employees? Elaborate the steps. (5)