

CONCEPTS IN VALUATION

B.Com (Semester-II)

Answer all questions. Each question carries 1 mark.

Maximum Marks: 40

Question-1

Interest paid (earned) on only the original principal borrowed (lent) is often referred to as:

- (A) Compound interest (B) Future value
(C) Present value (D) Simple interest

Question-2

Interest paid (earned) on both the original principal borrowed (lent) and previous interest allowed (earned) is often referred to as:

- (A) Compound interest (B) Double interest
(C) Simple interest (D) Present value

Question-3

Which of the following statement is an importance factor for time value of money?

- (A) Investment opportunity (B) Liquidity
(C) Risk (D) All of the above

Question-4

If the nominal rate of interest is 10% per annum and there is quarterly compounding, the effective rate of interest will be:

- (A) 10% p.a. (B) 10.10% p.a.
(C) 10.25% p.a. (D) 10.38% p.a.

Question-5

Relationship between annual nominal rate of interest and annual effective rate of interest, if frequency of compounding is greater than one:

- (A) Effective rate > Nominal rate (B) Effective rate < Nominal rate
(C) Effective rate = Nominal rate (D) None of the above

Question-6

Net present value (NPV) is:

- (A) PV of Cash Inflow – PV of Cash Outflow (B) PV of Cash Inflow + PV of Cash Outflow
(C) PV of Cash Inflow × PV of Cash Outflow (D) PV of Cash Inflow ÷ PV of Cash Outflow

Question-7

Present value factor at the rate of 12% for 8th year is:

- (A) 0.4523 (B) 2.2107 (C) 0.5066 (D) 0.4039

Question-8

Future value factor at the rate of 9% for 6th year is:

- (A) 0.6499 (B) 1.6771 (C) 1.4116 (D) 1.5386

Question-9

Ashish deposited ₹ 5,00,000 in a bank for 2 years with the simple interest rate of 8% per annum. How much interest would he earn?

- (A) ₹ 40,000 (B) ₹ 80,000 (C) ₹ 16,000 (D) ₹ 32,000

Question-10

Ruchi deposited some amount in a bank for 2 ½ years at the rate of 7% p.a. simple interest. She received ₹ 47,000 at the end of the term. Initial amount deposited by her is:

- (A) ₹ 20,000 (B) ₹ 40,000 (C) ₹ 60,000 (D) ₹ 80,000

Question-11

What annual rate of simple interest doubles an investment in 8 years?

- (A) 14.29% (B) 0.125% (C) 0.14% (D) 12.5%

Question-12

In what time, accumulated balance will become just double of initial investment at 10% per annum simple interest rate.

- (A) 0.10 years (B) 12.5 years (C) 10 years (D) 0.125 years

Question-13

Formula for calculation of Future Value of a single cash flow if interest is compounded quarterly is:

- (A) $PV \left(1 + \frac{r}{2}\right)^{n \times 2}$ (B) $PV \left(1 + \frac{r}{4}\right)^{n \times 4}$ (C) $PV \left(1 + \frac{r}{12}\right)^{n \times 12}$ (D) $PV \left(1 + \frac{r}{365}\right)^{n \times 365}$

Question-14

Formula for calculation of Present Value of a single cash flow if interest is compounded continuously is:

- (A) $FV \times e^{rn}$ (B) $FV \times e^{-rn}$ (C) $FV \times e^{r/n}$ (D) $FV \times e^{-r/n}$

Question-15

₹ 1,000 is invested at annual rate of interest of 10% compounded annually. What is the amount after three years?

- (A) ₹ 1,331 (B) ₹ 1,210 (C) ₹ 1,464 (D) ₹ 1,300

Question-16

The difference between C.I and S.I on a certain sum of money invested for 3 years at 6% p.a is ₹ 55.08, the sum is:

- (A) ₹ 1,500 (B) ₹ 1,850 (C) ₹ 6,000 (D) ₹ 5,000

Question-17

The number of years in which the investment will be doubled if interest rate is 12% p.a. compounded annually:

- (A) 6.10 years (B) 8.33 years (C) 6.33 years (D) 8.10 years

Question-18

₹ 1,00,000 is invested at annual rate of interest of 10% compounded continuously. What is the amount after three years? [$e^{0.10} = 1.10517$, $e^{0.20} = 1.22140$, $e^{0.30} = 1.34986$, $e^{0.40} = 1.49182$]

- (A) ₹ 110517 (B) ₹ 122140 (C) ₹ 134986 (D) ₹ 149182

Question-19

Find the compound interest on ₹ 4,000 for 1½ years at 10% per annum compounded half- yearly

- (A) ₹ 630.50 (B) ₹ 620.50 (C) ₹ 610.50 (D) ₹ 600.50

Question-20

On what sum will the compound interest at 5% per annum for two years compounded annually be ₹ 1,640?

- (A) ₹16,400 (B) ₹8,000 (C) ₹16,000 (D) ₹32,000

Question-21

Annuities:

- (A) are a stream of equal payments at unequal time intervals
(B) are a stream of equal payments at equal time intervals
(C) are a stream of equal payments that continue forever
(D) all of the above

Question-22

Equal payments at the end of each period upto certain period is called:

- (A) ordinary annuity (B) annuity due
(C) deferred annuity (D) perpetuity

Question-23

Equal payments at the beginning of each period upto certain period is called:

- (A) ordinary annuity (B) annuity due
(C) deferred annuity (D) perpetuity

Question-24

When the annuity begins from very first year, it is called:

- (A) ordinary annuity (B) annuity due
(C) deferred annuity (D) immediate annuity

Question-25

When the annuity begins after few years, it is called:

- (A) ordinary annuity (B) annuity due
(C) deferred annuity (D) immediate annuity

Question-26

Perpetuity:

- (A) is a stream of equal payments that continue forever
 (B) can be valued (PV) if the payment amount and interest rate are known
 (C) Both (A) and (B)
 (D) None of the above

Question-27

Match the items of List - I with those of List - II and indicate the correct code :

List-I		List-II
(a) present value of an annuity regular	(i)	$\frac{A[(1+r)^n - 1]}{r}$
(b) present value of an annuity due	(ii)	$\frac{A[(1+r)^n - 1](1+r)}{r}$
(c) future value of an annuity regular	(iii)	$\frac{A[(1+r)^n - 1]}{r(1+r)^{n-1}}$
(d) future value of an annuity due	(iv)	$\frac{A[(1+r)^n - 1]}{r(1+r)^n}$

Codes:

	(a)	(b)	(c)	(d)
(A)	(ii)	(iv)	(iii)	(i)
(B)	(iii)	(iv)	(ii)	(i)
(C)	(iv)	(iii)	(i)	(ii)
(D)	(iv)	(ii)	(iii)	(i)

Question-28

Match the items of List - I with those of List - II and indicate the correct code :

List-I		List-II
(a) present value of an annuity regular	(i)	$A \times CVFA(r, n) \times (1+r)$
(b) present value of an annuity due	(ii)	$A \times CVFA(r, n)$
(c) future value of an annuity regular	(iii)	$A \times PVFA(r, n)$
(d) future value of an annuity due	(iv)	$A \times PVFA(r, n) \times (1+r)$

Codes:

	(a)	(b)	(c)	(d)
(A)	(ii)	(iv)	(iii)	(i)
(B)	(iii)	(iv)	(ii)	(i)
(C)	(iv)	(iii)	(i)	(ii)
(D)	(iv)	(ii)	(iii)	(i)

Question-29

Formula for present value of a perpetuity payable at the beginning of each year is:

- (A) $\frac{A + A}{r}$ (C) $A + \frac{A}{r}$
 (B) $A - \frac{A}{r}$ (D) $\frac{A}{r}$

Question-30

Formula for present value of a perpetuity payable at the end of each year is:

- (A) $\frac{A + A}{r}$ (C) $A + \frac{A}{r}$
 (B) $A - \frac{A}{r}$ (D) $\frac{A}{r}$

Question-31

Value of compound value factor annuity for 7% p.a. for 6 years is:

- (A) 7.1533 (B) 7.6540 (C) 8.3938 (D) 8.8975

Question-32

Value of present value factor annuity for 1.25% p.a. for 11 years is:

- (A) 9.3455 (B) 10.2178 (C) 10.2578 (D) 11.9302

Question-33

Find the present value of an annuity of ₹ 400 per year for 9 years if the interest rate is 5 per cent.

- (A) ₹ 2831.19 (B) ₹ 2840.14 (C) ₹ 2843.13 (D) ₹ 2849.64

Question-34

Find the present value of an annuity of ₹ 300 at the beginning of each year for 4 years if the interest rate is 10 per cent.

- (A) ₹ 1080.12 (B) ₹ 1046.06 (C) ₹ 1099.11 (D) ₹ 1111.11

Question-35

Find the future value of an annuity of ₹ 400 at the end of each year for 9 years if the interest rate is 5 per cent.

- (A) ₹ 4430.26 (B) ₹ 4420.36 (C) ₹ 4410.63 (D) ₹ 4440.62

Question-36

Find the future value of an annuity of ₹ 1000 at the beginning of each year for 5 years if the interest rate is 11 per cent.

- (A) ₹ 6227.80 (B) ₹ 6912.86 (C) ₹ 6850.58 (D) ₹ 6337.85

Question-37

Find the amount of investment as on today if Mr. Ashish wants to receive ₹ 2000 forever, if interest rate is 8% p.a.

- (A) ₹ 10000 (B) ₹ 15000 (C) ₹ 20000 (D) ₹ 25000

Question-38

Find the present value of an annuity of ₹ 500 payable at the end of every half-year for 5 years if the interest rate is 10 % p.a.

- (A) ₹ 1895.39 (B) ₹ 1860.87 (C) ₹ 3895.39 (D) ₹ 3860.87

Question-39

Find the present value of an annuity of ₹ 600 payable quarterly for 5 years if the interest rate is 10 % p.a.

- (A) ₹ 9353.50 (B) ₹ 9313.20 (C) ₹ 9320.30 (D) ₹ 9310.10

Question-40

Find the present value of an annuity of ₹ 1000 payable monthly for 2 years if the interest rate is 18 % p.a.

- (A) ₹ 20310.21 (B) ₹ 20240.51 (C) ₹ 20120.31 (D) ₹ 20030.41