



ALLAMA IQBAL OPEN UNIVERSITY
Semester Terminal Exam Autumn 2020

Program /level:	BS/Graduation	Maximum Marks	100
Title /Course Code	Introduction to Business Finance (8594)	Pass marks	50

Instructions for Exams:

1. Attempt All Questions.
2. Write answers in your own words and avoid copying from an internet source or any book.
3. Be precise, avoid unnecessary details, answer to each question must be between 600-800 words.
4. Students are advised to upload their answer sheets/solutions on LMS portal as soon as they complete their answers and not to wait for 8:30 PM.
5. Submissions after due date & time will not be entertained. Attach undertaking with each course code which were allowed to attempt in Urdu.
6. If plagiarism found, Student may be declared fail.

Q. No.	Questions	Marks
1	Keeping in view the role of financial managers and the concepts of valuation of securities which you have learnt in your course, you are required to give your answers about the followings: (i) Explain the linkages among financial decisions, return, risk, and stock value. (ii) Assuming that all other variables remain unchanged, what impact would <i>each</i> of the following have on stock price? (a) The firm's risk premium increases. (b) The firm's required return decreases. (c) The dividend expected next year decreases. (d) The rate of growth in dividends is expected to increase.	33
2	Managers use ratio analysis to pinpoint strengths and weaknesses from which strategies and initiatives can be formed. Keeping in view the above-mentioned benefits of ratio analysis you are required to select the recent annual reports of any service organization listed at Pakistan Stock Exchange (PSX) from the given link https://financials.psx.com.pk/# and perform the ratio analysis and pinpoint the strengths and weaknesses of that organization to managers.	33
3	Bond rating agencies have invested significant sums of money in an effort to determine which quantitative and no quantitative factors best predict bond defaults. Furthermore, some of the raters invest time and money to meet privately with corporate personnel to get nonpublic information that is used in assigning the issue's bond rating. To recoup those costs, some bond rating agencies have tied their ratings to the purchase of additional services. Do you believe that this is an acceptable practice? Defend your position.	34