

**TILOTTAMA SECONDARY SCHOOL**  
**Assignment-2077 (2020)**

**Subject: Finance**

Grade: XI

Time: 3 hrs

Full Marks: 100

Pass Marks: 40

*Candidates are required to give their answer in their own words as far as practicable. The figures in the margin indicate full marks.*

Attempt **all** the questions

1. What do you mean by finance? Write in brief about the importance of finance. (5)
2. Define financial market? Differentiate between money market and capital market.(5)
3. Define financial institutions and briefly explain its role in financial market. (3+5)
4. State the meaning of central bank. Describe its main function (2+5).
5. Differentiate between real assets and financial assets.(5)
6. The liabilities side of ABC consist of the following

Account payables	Rs. 200,000
Notes payable	Rs. 400,000
Long term debt	Rs. 600,000
Common stock (50,0000 authorized, 25,000 shares outstanding)	Rs. 800,000
Retained earnings	Rs. 1,000,000
Total liabilities and equity	Rs. 3,000,000

**Required:**

- i. **Book value per share of the company. (2)**
  - ii. **Book value per share if the firm issued 50% of remaining authorized share and netted Rs. 40. (3)**
7. The real risk free rate is 4%. The maturity risk premium on bond with 5 year or less is nill. The default risk premium on bond with 5 year or less to maturity is 0.5%. The current yield on 5 year treasury security is 14%. The rate of inflation each year from year 1 to 4 are:

Years	1	2	3	4
Inflation (%)	6	8	10	12

**Required:**

- i. **Average expected inflation premium over next four years. (3)**
  - ii. **Interest rate on 4 year treasury bonds.(3)**
  - iii. **Expected inflation rate in year 5. (4)**
8. A person borrowed Rs. 300,000 for the purchase of a machine. The loan has to be repaid in three equal instalments at the end of each year. The bank charges 15% interest rate on the balance outstanding at the beginning of each year

**Required: (a) Annual amount of instalment**

**(b) Loan amortization schedule (3+7)**

9. The cash flow of different project are given below

Year	1	2	3	4	5
Project 1	5000	5000	5000	5000	5000
Project 2	8000	7000	6000	2000	3000

**Required: Present value of Project 1 and Future value of Project 2 if required rate of return is 10%. (5+5)**

10. Define risk. Explain the different types of risk. (2+5)
11. Define insurance. Explain the features of an insurance contract.(3+5)
12. Write short notes on endowment policy and it's any 3 types. (5)
13. A person is currently 35 years old. He expects to buy a term life policy of Rs.500000. Annual mortality rate is assumed to be 1.5%. The cost of money is 11%. What is the fair amount of premium that person must pay for this policy. (5)
14. What is fire insurance? Describe in the brief the procedure of effecting fire insurance. (3+7)