

[16 / A-24] Seat No.: \_\_\_\_\_

No. of printed page: 1

**SARDAR PATEL UNIVERSITY**  
**B. B. A. (General) (V Semester) Examination**  
**Friday, 25<sup>th</sup> November 2016**  
**2.00 p. m. – 4.00 p. m.**  
**UM05EBBA02 : ADVANCE FINANCE MANAGEMENT – I**

**Total Marks : 60**

**Note:** Figures to the right indicate marks.

Q. 1

- (A) Give concept of value and explain basic bond valuation model. (07)
- (B) An investor has invested in the perpetual bonds of X Ltd. The face value of the bond is ₹ 1,000/- and carries a coupon rate of 12% per annum. If the required rate of return is 14%, what would be the value of the bond? (04)
- (C) Compute the present value of ₹ 100/- a perpetuity of per year to be received from the end of third year, if the discount rate is 10%. (04)

**OR**

Q. 1

- (A) Explain : Bond Value Theorems. (07)
- (B) Find out the value of bond of ₹ 100/- after 20 years at compound interest of 5% calculated annually. (04)
- (C) ABC Ltd. paid annual dividend of ₹ 2/- per share last year. It is expected to grow @ 15% for 3 years and at 10% thereafter. Compute the price at which shares should sell today assuming the required rate of return to be 16%. (04)

Q. 2

- (A) Give concept of cost of capital and explain its significance in financial decision making. (10)
- (B) A company issues 10% irredeemable preference shares of ₹ 100/- each. The flotation cost is 4% and shares are issued at par. Compute the cost of capital, if the shares are issued (i) at 5% premium and (ii) at 5% discount. (05)

**OR**

Q. 2

- (A) Write note on:
  - (i) Weighted Average Cost of Capital (05)
  - (ii) CAPM Approach (05)
- (B) A company issued seven year 10% debentures at a price of ₹ 93/- to raise ₹ 5,00,000/-. The face value of the debentures is ₹ 100/-. The tax rate is 50%. Calculate the post tax cost of this issue. (05)

Q. 3

- Explain the concept of leasing and narrate factors relevant in making leasing decision. (15)

**OR**

Q. 3

- Discuss : Types of lease arrangements and evaluate lease as a financing decision. (15)

Q. 4

- Give concept of Venture Capital and explain stages of Venture Financing. (15)

**OR**

Q. 4

- Explain future and development of Venture Capital in India. (15)

