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SEAT No. _____

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SARDAR PATEL UNIVERSITY
BBA (ITM) SEM: V EXAMINATION
2017

Tuesday, November 14
10:00 AM to 12.00 PM

UM05EBBI09

ADVANCED FINANCIAL MANAGEMENT - I

Total Marks: 60

Note: All working notes are part of the answer.

Q:1[A] List out different investment avenues available to the investors and explain corporate investment avenues. [10]

[B] Discriminate between investment and speculation. [05]

OR

Q:1[A] Write notes on: [10]

1) Sources of investment information

2) Objectives of investment

[B] "Before making investment investors should consider various characteristics of investment" Briefly explain the statement. [05]

Q:2[A] A company is currently paying dividend of Rs. 2 per share. Its dividend is expected to grow at a rate of 15 % for 3 year, and then it falls to 10% for the next 3 year after which it is expected to grow at a rate of 5 % forever. The capitalization rate is 9%. What is the intrinsic value per share? [06]

[B] A company is proposing to issue 5 year debenture of Rs. 1000 each, redeemable in equal installment. The bond carry coupon rate of 14%. If an investor has a minimum required rate of return of 12%, calculate present value of debenture. [05]

[B] Explain following concepts of value. [04]

1. Market value

2. Going concern value

OR

Q:2[A] Explain and illustrate relationship between required rate of return and coupon rate. [06]

[B] The current market price of Rs.1000 par value bond carrying coupon rate of 8% and maturing after 5 years is Rs.1020. Calculate yield to maturity for the bond. [05]

What will be yield to maturity if market value of bond is Rs.1040?

[C] How you calculate value of bonds having semiannual coupon payment? Explain. [04]

Q:3 Explain the concept of leasing. Discuss various types of lease agreement. [15]

OR

Q:3[A] What factors would you keep in mind while making leasing decision? Explain. [10]

[B] Explain in brief importance of leasing as a means of financing. [05]

(P.T.O.)

Q:4[A] The details regarding three companies are given below:

[09]

Platinum Ltd.	Gold Ltd.	Silver Ltd.
$r = 12\%$	$r = 8\%$	$r = 10\%$
$K_e = 10\%$	$K_e = 10\%$	$K_e = 10\%$
$E = \text{Rs. } 50$	$E = \text{Rs. } 50$	$E = \text{Rs. } 50$

Compute the value of an equity share of each of three companies applying **Walter's formula** when dividend payout ratio is (a) 0% (b) 40% and (c) 100%.

[B] What is meant by dividend? Explain different kinds of dividends paid by companies. [06]

OR

Q:4[A] Discuss various factors influencing dividend decision.

[09]

[B] The following information is available in respect of the rate of return on investment (r), cost of capital (k) and earnings per share (E) of Ashapura Ltd.

[06]

Rate of return on investment(r)=12%

Earnings per share(EPS) = Rs 20

	D/P ratio	Retention ratio	K_e (%)
a)	10	90	20
b)	20	80	19
c)	30	70	18
d)	40	60	17
e)	50	50	16
f)	60	40	15

Compute the value of its share as per **Gordon' Model**.

— X —