

(A-3)

SC

Wednesday, 25 March 2015

10.30 am TO 12.30 pm

ADVANCED FINANCIAL MANAGEMENT I [UM05EBBA02]

NOTE: [1] Figures to the right indicate full marks of each question.
[2] All working notes are part of the answer.
[3] All questions carry equal marks.

- Q1[a] Explain and illustrate yield to maturity. [07]
Q1[b] A co. has a 10 year debenture that pays Rs. 140 annual interest. Rs. 1000 will be paid on maturity. What will be the value of the debenture if the required rate of return is [a] 12%, [b] 14%, and [c] 16%? [08]

OR

- Q1[a] Discuss Dividend Capitalization approach. [07]
Q1[b] An investor is looking for a four year investment. The share of Ann Ltd is selling for Rs. 75. They have plans to pay a dividend of Rs. 7.50 per share each at the end of first and second years and Rs. 9 and Rs. 15 respectively at the end of third and fourth years. If the investor's capitalization rate is 12% and the share's price at the end of fourth year is Rs. 70, what is the value of the share? Would it be a desirable investment? [05]
Q1[c] A co.'s expected dividend next year is Rs. 5 per share. The dividend is expected to grow at 8% p.a. forever. The equity capitalization rate is 12%. What should be the value of the co.'s share? [03]

- Q2[a] Explain the concept, rationale and assumptions of cost of capital. [10]
Q2[b] X Co. Ltd has the following specific cost of capital along with the indicated book value weights. [05]

Source	Cost	Book Value [Rs]
Long term debts	4%	3,00,000
Preference shares	11.50%	4,00,000
Equity shares	15.50%	6,00,000
Retained earnings	14.50%	2,00,000

Calculate WACC using book value.

OR

- Q2[a] Explain and illustrate various approaches for calculating cost of equity. [09]
Q2[b] Calculate cost of debt using following information. [06]

- Face value of debenture Rs. 2,000
- Redeemable at par
- Tax rate 55%

	Coupon Rate [%]	Life [Years]	Underwriting & Brokerage Cost [Rs]	Discount[-] /Premium [+] Per Debenture [Rs]
[i]	7	20	50	-50
[ii]	10	10	60	+80
[iii]	8	15	30	Sold at Par

- Q3[a] 'Venture financiers are known as angle investors'. Do you agree? Why? How are they [08]

different from traditional financiers?

Q3[b] What are the methods of venture financing? [07]

OR

Q3[a] Discuss the development and future of venture capital in India. [15]

Q4[a] What do you understand by leasing? Discuss potentiality of leasing as a means of financing. [08]

Q4[b] Distinguish between : Operating lease & Financial lease [07]

OR

Q4[a] What are the factors relevant in making leasing decision? [08]

Q4[b] Distinguish between : Sale and lease back & leveraged lease [07]
