

SARDAR PATEL UNIVERSITY
B. B. A. (General) (V Semester) Examination (NC)
Friday, 13th April 2018
2.00 p.m. – 4.00 p.m.
UM05EBBA02 : ADVANCE FINANCIAL MANAGEMENT - I

Total Marks : 60

Note: Figures to the right indicate marks.

Q.1 (a) Give concept of "Value" and explain basic valuation model. (7)

(b) The face value of a 5 years, 10% bond is Rs.1000. Assuming 12% required rate of return of investors, Compute the value of bond. What maximum price an investor be willing to pay to purchase such bonds from the market? (8)

OR

Q.1 (a) Explain Bond Value Theorems. (7)

(b) X Ltd is proposing to issue a 5 year, 12 % Preference Share. The share will be redeemed at Rs.110 at the end of 5th year. Its face value is Rs.100. If an investor has a minimum required rate of return of 14%, what is the present value of such preference share for him? (8)

Q.2 (a) What is cost of capital? Give its assumptions and discuss the significance of cost of capital in financial decision making. (10)

(b) A company has on its books the following amounts and specific costs of each type of capital. (5)

Type of Capital	Book Value(Rs.)	Market Value(Rs.)	Specific Cost(%)
Debenture	600000	570000	6.0
Preference Share Capital	140000	160000	9.0
Equity Share Capital	800000	1540000	14.0
Retained Earnings	300000	-	10.0
Total	1840000	2270000	

From the above information, find out the Weighted Average Cost of Capital (WACC) using

(i) Book Value Weights

(ii) Market Value Weights

OR

Q.2(a) Discuss concept of specific cost of equity share, preference share and retained earnings: (10)

(P.T.O.)

(b) A company issued 10% debentures of Rs.100 each at par. The debentures are to be repaid after 10 years. These debentures are to be floated at their face value to 4%. The tax rate is 55%. You are required to calculate the cost of debt. (5)

Q.3 Write Note On : (a) Types of Lease Arrangements. (8)

(b) Factors relevant in making leasing Decisions. (7)

OR

Q.3 Give concept of leasing and explain potentiality of leasing as a means of financing. (15)

Q.4 Give features of Venture Capital and discuss methods of Venture Financing. (15)

OR

Q.4 Discuss development and future of Venture Capital in India. (15)

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