

SEAT No. \_\_\_\_\_

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[62]

SARDAR PATEL UNIVERSITY

B.B.A. [HONOURS][ITM] - V<sup>th</sup> Semester (NC)

Friday, 13<sup>th</sup> April, 2018

Session: Evening Time: 02.00 p.m. To 04.00 p.m.

Subject Code: UM05EBBI09

Subject: Advanced Financial Management - 1

Total Marks: 60

Q-1 What is investment? Explain the characteristics and objectives of investment. [15]

OR

Q-1 Short Note on: [15]  
1). Investment opportunities for foreign citizens of Indian origin  
2). Sources of Investment Information

Q2[a] A bond of Rs.1000 bearing a coupon rate of 12% is redeemable at par in 10 years. Find out the value of the bond if: [05]

1. Required rate of return is 12%
2. Required rate of return is 14% and maturity period is 8 years

Q2[b] The market price of Rs.1000 par value bond carrying a coupon rate of 14% and maturing after 5 years in Rs.1050. What is the yield to maturity on this bond? [05]

Q2[c] Briefly explain the concepts of value. [05]

OR

Q2[a] A company is currently paying a dividend of Rs. 2 per share. The dividend is expected to grow at a 15% annual rate for three years, then at 10% rate for the next three years, after which it is expected to grow at a 5% rate forever. What is the present value of the share if the capitalization rate is 9%? [10]

Q2[b] List out the bond value theorems. [05]

Q3[a] Discuss in brief operating lease and financial lease. [08]

Q3[b] Explain the significance of leasing as a means of financing. [07]

OR

Q3 Define leasing. Discuss the factors influencing the leasing decision of a firm. [15]

Q4[a] Explain the external variables influencing the dividend policy decision. [08]

Q4[b] A company has a total investment of Rs.5,00,000 in assets and 50,000 outstanding equity shares at Rs. 10 per share. It earns a rate of 15% on its investment, and has a policy of retaining 50% of the earnings. If the appropriate discount rate of the firm is 10%, determine the price of its share using Gordon's model. What shall happen to the price of the share, if the company has a payout of 80% and 20%? [07]

OR

Q4[a] ABC Ltd. was started a year back with a paid-up equity capital of Rs.40,00,000. The other details are as under: [07]

Earnings of the company Rs.4,00,000

Dividend paid Rs. 3,20,000

Number of shares 40,000

Rate of return 10%

Equity capitalization rate 8%

You are required to find out whether the company's dividend payout ratio is optimal, using Walter's formula.

Q4[b] Briefly explain the M-M model of dividend policy decision. [08]

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