

SARDAR PATEL UNIVERSITY
B. B. A. (General) (V Semester) Examination
Friday, 25th 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 floatation 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)

