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**SARDAR PATEL UNIVERSITY**  
**B.B.A.[HONOURS][ITM] - V<sup>th</sup> Semester**  
**Saturday, 27<sup>th</sup> October, 2018**  
**Session: Morning Time: 10:00 A.M. TO 12:00 P.M.**  
**Subject Code: UM05EBBI09**  
**Subject: Advanced Financial Management - I**

Total Marks: 60

Q1[a] Define the following terms: [08]  
 1. Investment 2. Security 3. Portfolio 4. Security Analysis

Q1[b] Explain the characteristics of investment. [07]

OR

Q1 Write a note on: [15]  
 1. Sources of investment information  
 2. Objectives of investment  
 3. Investment versus speculation

Q2[a] A company earned Rs.6 per share and paid Rs.3.48 per share as dividend in the previous year. Its earnings and dividends are expected to grow at 15% for 6 years and then at a rate of 8% indefinitely. The capitalization rate is 18%. What is the price of the share today? [06]

Q2[b] A company has issued 12%, Rs.1000 bond repayable after 10 years at 10% premium. Your required rate of return is 14%. Will you buy the bond if interest is payable annually and semi-annually? [04]

Q.2[c] Explain and illustrate single period valuation. [05]

OR

Q2[a] Assume Rs.100 par value, 8% coupon rate of interest, and 10 years remaining to maturity date. [06]

- If interest is paid annually, find the value of the bond when the required rate of return is 7% and 8%.
- Using 10% required return, what would be the value of the bond if interest is paid semiannually?

Q2[b] [04]  
 • A company's current price of share is Rs.100 and the expected dividend per share is Rs.8. If its capitalization rate is 15%, what is the dividend growth rate?  
 • A share is currently selling for Rs.120. The expected dividend after a year is Rs.12. The perpetual dividend growth rate is expected to be 8%. What is the equity capitalization rate?

Q.2[c] Explain the bond value theorems which indicate relationship between required rate of return and coupon rate. [05]

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