(11) SEAT No._____

SARDAR PATEL UNIVERSITY
TY BBA ITM SEMESTER VI
ADVANCE FINANCIAL MANAGEMENT II (UM06EBBI09)
4TH April 2018 WEDNESDAY
TIME: 10 A.M. TO 12 P.M

Total Marks 60

Q:1 (a) Define the term Risk & uncertainty and discuss Probability Approach (07)

Q:1 (b) The following possible cash inflows are presented by Priti Ltd. about its project (08) A & B. The initial investment for both the projects is Rs. 10,000

Possible events	Project A		Project B	
	Cash Inflows	Probability	Cash Inflows	Probability
A	8,000	0.10	25,000	0.10
B	10,000	0.20	20,000	0.20
C	12,000	0.35	15,000	0.45
D	14,000	0.25	12,000	0.15
E	16,000	0.10	10,000	0.10

Find out standard deviation and suggest which project is selected?

OR

Q:1 (a) Explain Risk adjusted discount rate method (08)

Q:1 (b) Prapti Ltd. has under consideration two mutually exclusive projects for (07) increasing its plant's capacity. The management has developed pessimistic, most likely and optimistic estimates of the annual cash inflows associated with each project. The estimates are as follows:

	Project X	Project Y
Net Investment	60,000	60,000
Cash inflows: pessimistic	2,400	7,400
Most likely	8,000	8,000
Optimistic	14,000	9,000

(a) Determine the NPV associated with each estimate for the projects. The projects have 20 years of life each and the company's cost of capital is 10%

(b) Which project do you consider should be selected by the company and why? Present value factor at 10% for 20 years is 8.514.

Q:2 (a) During the past five years, the returns of a stock were as follows: (08)

Year	1	2	3	4	5
Return	0.07	0.03	-0.09	0.06	0.10

Calculate: Cumulative wealth index, Arithmetic mean, Geometric mean, variance, standard deviation

Q:2 (b) Write a note on Capital Assets Pricing Model (07)

OR

Q:2 (a) Compute the expected return and standard deviation of returns for a stock (07) having the following probability distribution of returns.

Return (%)	-4.17	0.00	4.17	8.33	12.50	16.67
Probability	0.1	0.1	0.2	0.3	0.2	0.1

Q:2 (b) What do you mean by the term risk? Describe systematic risk with example (08)

Q:3 (a) Discuss Growth investing as a style of investment. (08)
Q:3 (b) Explain various forms of efficient market hypothesis (07)

OR

Q:3 (a) List out various formulas plans available to investor and describe any one from it. (06)
Q:3 (b) Write a note on Random walk theory (07)

Q:4 (a) Explain determinant and select theories of exchange rate. (08)
Q:4 (b) What is exchange rate? Discuss various foreign exchange rates (07)

OR

Q:4 (a) List out techniques of foreign exchange risk management and explain internal techniques in details. (10)
Q:4 (b) Write a note on foreign exchange risk (05)