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2405E852

Candidate's Seat No : \_\_\_\_\_

B.B.A. (Sem.-V) Examination  
307 Advanced Financial Management  
May-2017

Time : 3 Hours]

[Max. Marks : 70

Que. 1 (a) Brijesh Ltd. is planning to issue 14% debentures redeemed after 5 years. The face value of debentures is Rs. 1,000 and will be redeemed at Rs. 1,100 at the end of 5 years. Calculate the intrinsic value of the debentures if the required rate of return is 16%. (7)

OR

Que. 1 (a) Mr. X gets an opportunity to invest in a 12 per cent coupon bond with a face value of Rs. 1,000. The bond has 5 years to maturity, the coupons are paid semiannually and the required rate of return is 20 per cent. What price should Mr. X pay for this bond? (7)

Que. 1 (b) ABC company has current dividend of Rs. 2 per share. The dividend is expected to grow at 15% for first 3 years and then continue to grow at 10% forever. Calculate the price of the share if the required rate of return is 12%. (7)

OR

Que. 1 (b) A company has issued a Rs. 1000 par value bond with 15% coupon rate maturing after 5 years. The bond can be currently sold at Rs. 1200. Calculate the Yield to Maturity of the bond. (7)

Que. 2 (a) The current market price of the shares, of a company is Rs. 30 per share. The company pays dividend of Rs. 5 every year. The profits of the company are expected to grow at the rate of 12 per cent p.a. What should be the current, price of the share if the growth rate of the company is (a) 8 per cent, (b) 10 per cent and (c) 14 percent? (7)

OR

Que. 2 (a) Determine the cost of debt after tax in the following cases:

- (a) X Ltd issues 14 percent debentures of face value Rs. 100 each and realizes Rs. 90 per debenture The debentures are redeemable after 10 years at a premium of 10 per cent  
(b) Y Ltd issues 12 per cent preference shares of face value Rs. 100 each and realizes Rs. 92 per share. The shares are repayable after 10 years at par.  
Note: Both the companies are paying income tax at 50 per cent (7)

Que. 2 (b) XYZ Ltd has the following book value capital structure: (7)

Equity Capital (in shares of Rs.10 each, fully paid-up at par)	Rs. 15 crores
11% Preference Capital (in shares of Rs.100 each, fully paid-up at par)	Rs. 1 crore
Retained Earnings	Rs. 20 crores
13.5% Debentures (of Rs.100 each)	Rs. 10 crores
15% Term Loans	Rs. 12.5 crores

- The net expected dividend on equity shares is Rs.3.60 per share. Dividends are expected to grow at 7% and the Market price per share is Rs.40.
- Preference Stock, redeemable after ten years, is currently selling at Rs.75 per share.
- Debentures, redeemable after 6 years, are selling at Rs.80 per debenture.
- Tax rate is 40%.

P. T. O.

OR

Que. 2 (b) A company has on its books the following amounts and specific costs of each type of capital.

Type of capital	Book value	Market value	Specific costs (%)
Debt	Rs 4,00,000	Rs 3,80,000	5
Preference	1,00,000	1,10,000	8
Equity	6,00,000	12,00,000	15
Retained earnings	2,00,000	----	13
	13,00,000	16,90,000	

Determine the weighted average cost of capital using (a) Book value weights and, (b) Market value weights. How are they different? Can you think of a situation where the weighted average cost of capital would be the same using either of the weights? (7)

Que. 3 (a) Discuss the factors affecting dividend policy. (7)

OR

Que. 3 (a) Discuss Walter's Model of Dividend Relevance. (7)

Que. 3 (b) What are different types of dividend? Explain in detail. (7)

OR

Que. 3 (b) Explain MM theory of dividend irrelevance. (7)

Que. 4 (a) Define forward and future contract. Discuss the difference between forward and future contract. (7)

OR

Que. 4 (a) Define Derivatives. Explain futures, forwards, options and swaps as derivatives instruments. (7)

Que. 4 (b) Write a short note on Certainty Equivalent Approach. (7)

OR

Que. 4 (b) Write a short note on Risk Adjusted Discount Rate. (7)

Que. 5 Attempt All of the following: (14)

- Write the full form of RADR.
- Define Cost of Capital.
- Give the full form of CAPM.
- Beta is the measurement of \_\_\_\_\_ risk.
- Walter's model is known as dividend \_\_\_\_\_ theory.
- Dividend could be paid out of profit. (True/False)
- Derivatives do not have \_\_\_\_\_ of their own.
- Define irredeemable debentures.
- \_\_\_\_\_ is the term used for reducing risk by using derivatives. (Waiving/Revoking/Hedging)
- Risk and uncertainty are quite inherent in Capital Budgeting decisions. (True/False)
- Dividend could be paid out of profit. (True/False)
- The spot market is also called \_\_\_\_\_ market.
- The cost of capital for additional funds is known as \_\_\_\_\_.
- Interest on bond is a tax deductible expense. (True/False).

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Q-1

(a) Write a note on "Brand Architecture"  
(7)

OR  
(a) Explain Brand Image and its dimensions  
(7)

Q-1.  
(b) Discuss the inner and outer core of  
Brand identity with a suitable example (7)

OR  
(b) Define Brand and describe the ~~the~~ significance  
of branding a product (7)

Q-2.

(a) Discuss the classification of marketing  
research designs (7)

OR  
(a) Explain the advantages, uses and  
disadvantages of secondary data in  
marketing research (7)

P.T.O

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Q.2.

E853-2

(b) Define Marketing Research and explain its process (7)

OR

(b) Discuss the various observation methods used in research (7)

Q.3.

(a) Explain the various itemized scaling scales used in research (7)

OR

(a) What is a questionnaire? What care should be taken in designing a questionnaire? (7)

OR

Q.3.

(b) Discuss the various sampling techniques in brief (7)

OR

(b) Explain coding and tabulation as a part of data preparation process in research (7)

Q.11.

E853-3

(a) Define Services and discuss its characteristics (7)

(a). Explain reasons OR for growth of services (7)

Q.4.  
(b). Discuss strategies for demand management in services (7)

(b) Explain the OR Gap Model of Service Quality (7)

Q.5. - Do as directed → (14)

(a) Name any three elements of brand identity prism

(b) Name four survey methods used for primary data collection

(c) Name the four primary scales of measurement used in research

(d) Name the three elements of service quality triangle

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