

M.B.A. (FSN) (Sem.-IV) Examination
Quantitative Finance

Time : 3 Hours]

May-2017

[Max. Marks : 70]

Q.1 Define the Process of Assets Allocation in Context of Capital Market Expectations with examples.

(14)

OR

Q.1 Write short notes on:

1. P/E Ratio and
2. Earnings Per Share.

Q.2 Define various Equity Valuation Methods.

(14)

OR

Q.2(A) TCS Company Ltd. furnishes the following information to you and the balance sheet is as follows as on year ended.

Liabilities	Rs.	Assets	Rs.
Equity Share Capital (Each of Rs.10)	2,25,000	Fixed Assets at cost	11,25,000
Reserve and Surplus	3,60,000	Less: Depreciation	4,50,000
10% Debentures	5,40,000	Investments	90,000
Current Liabilities	2,25,000	Current Assets	5,40,000
		Misc. Expenses	45,000
Total	13,50,000	Total	13,50,000

You are required to calculate Book Value Per Share for TCS Company Ltd.

Q.2 (B) Kingfisher Company is suffering from very high amount of Bad debts and now it is not in a condition to run the business properly. Following is the balance sheet

Provided and you are required to calculate Value per share.

Liabilities	Rs.	Assets	Rs.
Equity Share Capital (Each of Rs.10)	10,000	Fixed Assets	12,500
Reserve and Surplus	6250	Investments	2500
12% Debentures	12,500	Current Assets:	
Current Liabilities	8750	Stock	12,500
		Cash and Bank	1250
		Debtors	7500
		Misc. Expenses	1250
	37,500		37,500

The realizing Value of Assets are:

1. Fixed assets sold at Rs.15,000
2. Bad debts is Rs.1250
3. Stock Sold at Rs.11,250

Liabilities are to be paid as follows:

Interest on Debentures is Rs.1250 paid and current liability paid at Book Value only.

Q.3 Explain "Dow Theory" in details.

(14)

OR

Q.3 Answer the following questions:

1. Give definitions of Risk and Return. What is the relationship of Risk & Return?
2. What do you mean by P/E Ratio? Define the formula of P/E Ratio.
3. What is Market Capitalisation? How would you calculate Market Capitalisation?
4. State Indian Stock Market's Two Main Stock Indices.
5. From the following Equity return of Company X, find the Average Mean.

11%, 10%, 7%, 15%, 16%, 7.5%, 9.5%

(P.T.O)

6. Explain the term: "Portfolio Diversification" with example.
7. Explain the term: "Arbitraging" with example.

Q.4 What is the Definition of Liquidity Risk? Explain it with the Practical illustration. and write a short note on "Liquidity Risk". (14)

OR

Q.4 Answer the following questions:

1. If Share market goes up, then what would be the impact on Gold and Silver Market?
2. Define CAPM Model.
3. If Interest rates increase, what is impact on Equity Segment?
4. Why does ALM arise?
5. What is Liquidity?
6. What is Leveraged firm?
7. What is Investment?
8. Explain the term: "Saving".
9. What do you mean by Risk Taker Investors?
10. What do you mean by Risk Averse Investors?
11. What is the formula of getting the Equity Return?
12. Primary Trend deals with what time duration?
13. Secondary trend deals with what time duration?
14. Minor Trend deals with what time duration?

Q.5 Write a detailed note on "Bonds".

(14)

OR

Q.5 (A) Wipro Company Ltd. issues 11% Coupon rate Bond at Rs.1000 par value, having life of 7 years. If the Bonds are getting sold at Rs. 700, then what would be the Value of bond as per YTM.

Q.5 (B) India Company Ltd's balance sheet as under:

Liabilities	Rs.	Assets	Rs.
Equity Shares (Each of Rs.10)	37,500	Net Fixed Assets	62,500
Reserves	25000	Current Assets	37,500
12% Debentures	37,500		
	1,00,000		1,00,000

Additional

1. Next estimated profit is Rs.30,000
2. Current year's PAT is Rs.22,500
3. 52 week low price and High price are Rs. 42,500 and Rs. 62,500 respectively. Calculate the next year projected equity share price under P/E ratio Approach.

Information:

year's