



Seat No. : _____

NF-111

November-2025

B.B.A., Sem.-V

DSC-C-351(1) : Advanced Financial Management-1 (NEP 2020)

Time : 2:00 Hours]

[Max. Marks : 50

Instruction : Working notes are a part of your answer figures to the right indicates marks.

1. (A) Ruchir Ltd. currently pays ₹ 4 per share as annual dividend. Assuming 10% required Rate of return on shares, compute the current value of share (Market price) if annual rate of growth is 5% for each of the next 3 years, followed by a constant annual rate of growth of 4%. 5
1. (B) Write a note on Valuation of Bonds, Preference shares and Equity shares stating the formulas for valuing the same. 5

OR

1. (A) A company issued bond for ₹ 1,000 with 12% coupon rate which will be repayable at par after 10 years. Interest is paid out annually. Find out value of bond if the required rate of return is 10%. Also find out the premium amount. 5
1. (B) The price per Bond of XYZ Ltd. is ₹ 160. The bond has a par value of ₹ 200, a coupon rate of 12% and a maturity period of 5 years. What is the Yield To Maturity (YTM) ? 5

2. The balance sheet of Akshay Ltd. as on 31-12-2024 is as under : 10

Particulars	Note No.	₹
(A) Equity and Liabilities :		
Equity Capital (each of ₹ 100)		5,00,000
Retained Earnings		4,00,000
14% Preference shares		1,50,000
10% Debentures		8,00,000
Current Liabilities		2,00,000
Total		20,50,000
(B) Assets :		
Net Fixed Assets		18,00,000
Current Assets		2,50,000
Total		20,50,000

Additional information :

- (1) The average market price of equity share is ₹ 20. The expected dividend in the next year is 25%. The growth rate in dividend is 10%
- (2) The tax bracket of the company is 40%.
- (3) The cost of retained earnings is 2.5% less than the cost of equity capital.

Answer the following :

- (a) Calculate the weighted average cost of capital of the company using the book value weights.
- (b) The company has plans to raise a further ₹ 20,00,000 for expansion project by way of issue of equity shares at ₹ 18 per share. Calculate the marginal cost of capital of the company.

OR

2. (A) XYZ Ltd. has issued 10,000 debentures each of ₹ 100 with a coupon rate of 12% per annum. These debentures are repayable after 5 years at a premium of 10%. The issue cost amounts to ₹ 50,000. Calculate the cost of debt assuming 40% tax bracket. 5
2. (B) The current earning of ABC Ltd. is ₹ 6,00,000 and the number of existing shares is 60,000. The current market price is ₹ 100 per share. Its capital structure includes no debts. The company wants to issue new equity shares of ₹ 10,00,000 at 5% discount to finance its expansion project. The floatation cost is estimated at 4%. If the earning of the company is stable, what will be the cost of equity capital. 5
3. (A) Differentiate between: Futures and Options. 5
3. (B) Write a detailed note on: 'Certainty Equivalent Approach' of Capital Budgeting. 5

OR

3. (A) Discuss the meaning and characteristics of Derivatives. 5
3. (B) Explain the concept of Risk and Uncertainty. 5
4. (A) Write a note on Stable/ Regular Dividend policy. 5
4. (B) Explain the Modigliani and Miller Hypothesis (MM) of Dividend Irrelevance. 5

OR

4. (A) Discuss any five factors affecting the Dividend Policy. 5
4. (B) X company earns ₹ 10 per share. It is capitalised at a rate of 10% and has a rate of return on investment of 16%. 5

According to Walter's model, what should be the price per share at 25% payout ratio ? Is this the optimum payout ratio according to Walter's model ? 5

5. Attempt any TEN out of twelve :

10

- (1) Gordon's dividend model is of dividend ____ theory. (Relevance/ Irrelevance)
- (2) _____ is a tax-deductible expenditure. (Dividend/ Interest)
- (3) The liquidity of funds is a very important consideration with regards to dividend policy. (True/ False)
- (4) A policy of changing rates/ amounts of dividend in response to change in firm's earning is termed as _____ dividend policy. (Regular/ Irregular/ Liberal)
- (5) At spot transaction where payment has to be made on the same date is called _____ Spot. (Tom/ Cash)
- (6) State the formula for valuation of Irredeemable Preference Share.
- (7) _____ use futures or options to reduce risk associated with the price of an asset. (Speculators/ Hedgers/ Arbitrators)
- (8) As per Walter's Dividend Model, when a firm's rate of return (r) is greater than cost of capital(k) it is called a _____ firm. (Growth/ Declining/ Normal)
- (9) The higher the risk in a project, the higher would be the Risk-Adjusted Discount Rate. (True/ False)
- (10) _____ cost is the cost of capital raised in the past. (Future/ Historical)
- (11) In case of bond, maturity value can never be _____ value. (Par/ Premium/ Discount)
- (12) _____ cost refers to the rate of return associated with the best alternative investment opportunity that will be foregone. (Explicit/ Implicit)
