

Instructions:

- 1) Start each question on fresh page.
- 2) Figures to the right indicate maximum marks
- 3) Q.1 is compulsory and answer any FOUR from Q.2 to Q.7
- 4) Use of Scientific calculator Prohibited

Q.1 Write Short Note on ANY FIVE of the following:

(04*05= 20 Marks)

- a) Compound and Simple Interest
- b) Time Value of Money
- c) Buy-Back of Shares
- d) Liquidity Preference Theory
- e) Reverse Split of stock
- f) Cash Dividend V/s Stock Dividend

Q.2

A. The current share price of Jagdam Ltd is Rs. 20. Mr. Loyd purchased 400 shares in April 2019 at 25% discount on the current trading price. He is holding on to the same as he has consistently received Rs. 50 dividend every quarter from April 2019 till end of March 2023. What is Loyd's Holding period rate of return till March 2023. Also calculate the Dividend Yield and Capital Gain Yield. **(05 Marks)**

B. When Mr. Jovin stumbles across the term "Macaulay's Duration" while researching bonds for Sundaram Finance Ltd., he realises that he needs further information. As you have studied this concept in your college explain to Mr. Jovin what is Macaulay's Duration Effects of interest rates. Also explain how it is affected with change in inflation rate. **(05 Marks)**

Q.3

A. Assume you buy a bond with a face value of Rs.1,000 that matures in 5 years and pays an annual coupon rate of 5%. The bond is currently trading at a price of Rs.950. What is the bond's Yield to Maturity? **(04 Marks)**

B. Bond Y has a coupon rate of 10% with market price of Rs.100 and face value Rs.100, Whereas Bond Z has a coupon rate of 18% with market price of Rs.100 and face value of Rs.200.

Roll No. _____

Calculate which bond has a higher Current Yield and which bond has the same coupon rate as its Current Yield. (06 Marks)

Q.4

Mr. Sharma is looking to diversify his investment portfolio. He is currently invested in the equity market and is looking for some stable returns with debt instruments. As Student of Corporate Finance help Mr. Sharma understand the types of Bonds and its advantages over Equity instruments. (10 Marks)

Q.5

AMB Corp., has been experiencing an above normal dividend growth rate of 20% per year for the past 5 years. The above normal growth rate is expected to continue for another 5 years before it levels off at a normal rate of 7%. The last dividend paid by the company is Rs. 1 per share. Determine the current value of the stock if its required rate of return is 30%. (10 Marks)

Q.6

A. Mr. Paul is confused between two investment opportunities : (05 Marks)

- i) X which was held for 5 years gives a return of 5% calculated using Simple Interest.
- ii) Y held for 3 years gives return of 3% compounded annually

Which investment should Mr. Paul prefer to invest Rs. 10000/- to get maximum returns.

B. After devoting over three decades of his life to IDBI Ltd., Mr. Khurana has witnessed the company's remarkable transformation from humble beginnings to becoming a listed company. His contribution to its success has been significant. However, as he approaches retirement, he faces a crucial decision that will impact his financial future. IDBI Ltd. has presented him with a choice between equity and preference shares as part of his retirement package. Explain the advantages of Equity and Preference shares. (05 Marks)

Q.7 Mr. Naik is trying to determine the value of IOC Ltd.'s common stock. He wants to hold the stock for five years and the estimated earnings growth rate is 10 per cent. The Dividend Payout ratio is 50%. The P/E ratio is expected to be 20 and the current EPS is Rs 8. If the required rate of return is 12%, what should be the price of the IOC Ltd. stock? (10 Marks)
