TYBCom (A&F) Sem VI

Finm Mngt - Paper III

QP Code : **33068**

(2 ½ Hours) [Total Marks : 75

N.B. : (1) **All** questions are **compulsory.**
(2) **Each** questions carries **15** Marks.
(3) Use of Simple Calculator is Permitted.
(4) Support your Answer with Required Working Notes.
(5) **Figures** to **right** indicate **full** marks.

1 (a) Rewrite the following statements and state whether **True** or **False** (Any 8) 8

1. Strategic financial management should be always flexible in nature.
2. Comparative statement studies the percentage relationship that each item of financial statement bears to the same item in the base year.
3. If the insiders start selling heavily, it is considered as bullish indicator.
4. The price of security is not related to demand and supply factors operating in the market.
5. When the required rate of return exceeds the coupon rate, the bond sells at a premium.
6. According to Prof. James E. Walter in the long run, share prices reflect only the present value of expected dividends.
7. The concept of 'home made dividends' supports the argument for irrelevance of dividend policy in shareholder wealth maximization
8. Treynor Ratio is also known as the Reward to Volatility Ratio
9. If a share has a beta of 1, its rise and fall corresponds exactly with the market.
10. When the correlation co-efficient is greater than 0, it is negative correlation.

(b) Match the Column (**Any 7**) 7

	Column A		Column B
1.	Financial Plan	(a)	EPS/DPS
2.	Dividend Coverage Ratio	(b)	Irrelevance Approach
3.	Technical analysis	(c)	Stipulated Maturity Period
4.	Earnings Yield	(d)	IRR
5.	Yield to Maturity	(e)	Relevance Approach
6.	Modigliani & Miller	(f)	A voidable Risk
7.	Walter & Gordon	(g)	EPS/Market price x 1 00
8.	Close Ended Funds	(h)	Reward to total risk
9.	Sharpe Ratio	(i)	Flexible
10.	Unsystematic Risk	(j)	Statistical Data

[TURN OVER]

2. (a) Mr. Lion wants to invest in one of the following bonds having face value Rs.1000 maturing at par: **8**

Bond	Coupon Rate	Maturity	Market Price
Bond M	12% p.a.	5 years	Rs 1080/-
Bond N	15% p.a.	5 years	Rs.920/-

Recommend which bond should be purchased. Will your answer change if the required rate of return is 14%.

2 (b) Balance Mutual fund provides you with the following data related to unbalanced mutual fund scheme. You are required to compute the Net Asset Value (NAV) on per unit basis. **7**

Particulars	Rs. (in lakhs)
Cash in hand	35.00
Expenditure for the year	105.75
Amount payable on shares	60.00
Fixed interest being Securities at cost	320.00
Bonds and debentures at cost	1,050.00
Of these Bonds not listed and not Quoted	350.00
Listed Securities at cost	1,500.00
Dividend Income	61.00

Other information

1. No. of units of Rs.100/- face value : 25,00,000
2. Current realizable value of fixed income securities is appreciated at 115% of Cost.
3. Value listed bonds and debentures are appreciated by 20% of Cost.
4. Unlisted bonds and debentures are valued 20% below cost.
5. All the listed securities were purchased when market index was 12000 and currently it is 15750

OR

[TURN OVER]

(b) Monkey Ltd has issued fully convertible debenture with face value Rs.1 000/- with a coupon rate of 12% p. a. which will be converted in 25 equity shares of Rs.1 0/- each at the end of 9 years. Find out the value of debenture if the expected rate of return of an investor is 10% and expected market price of one share after 9 years is Rs.48/-. 7

OR

(c) An investor is holding 2500 shares of Jackson Ltd where presently the rate of dividend is Rs5/- per share The shares are presently sold in the open market at Rs 35/- per share. However several factors are likely to change during the course of the year as indicated below. 8

Particulars	Existing	Revised
Risk free rate of return	13%	11%
Market risk premium	9%	6%
Beta	2.5	2.8
Expected growth rate	7%	10%

In the view of the above factors, whether the investor should buy additional shares, or hold the current investment or sell off the current investment? And why?

4. (d) From the following available information analyse the two mutual funds and compute. 7
   (i) Sharpe's Index for mutual fund A and B.
   (ii) Sharpe's Index for market
   (iii) Treynor's Index for mutual fund A and B
   (iv) Evaluate the performance of mutual funds.

Mutual Funds	Average Return	Beta	Standard Deviation
A	10%	3	6
B	14%	5	8

The risk-free rate of return is 9%. The return on the market portfolio is 12%. The standard deviation of the market is 7.

5 (a) What is financial plan? Explain any 5 principles of a sound financial plan. 8
  (b) Assumptions of Modigliani and Miller Hypothesis 7

OR

5 Write Short Notes On (**Any 3**) 15
  1. Y T M
  2. Measures of Portfolio Performance
  3. Advantages of Mutual Fund
  4. Risk Diversification
  5. Strategic Financial Planning
