

- N.B.** (1) All questions are **compulsory**.  
 (2) **Working notes** should form **part of** your answer.  
 (3) Use of **simple calculator** is **permitted**.

1. (A) Re-Write the following statements and fill in the blanks (**any 8**) :—

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- If a share has a beta of \_\_\_\_\_, it rises and falls corresponds exactly with the market.
- The concept of homemade dividends supports the argument for irrelevance of dividend policies in shareholders \_\_\_\_\_ maximisation.
- When the correlation co-efficient is greater than 0, it is \_\_\_\_\_ correlation.
- According to Prof. James E Walter in the long run share prices reflect only the \_\_\_\_\_ value of expected dividend.
- The \_\_\_\_\_ value of a bond is measured as the present value of all the future cash flows on the security.
- Capital asset pricing model predicts the relationship between the risk and its \_\_\_\_\_ return.
- The basic objective of portfolio management is to maximise returns with \_\_\_\_\_ risk.
- When the required rate of return is less than the coupon rate the bond sells at \_\_\_\_\_.
- A portfolio mix which offers maximum returns for a given level of risk is an \_\_\_\_\_ portfolio mix.
- The \_\_\_\_\_ ratio is used to rank the risk adjusted performance of various portfolios over the same time.

(B) Match the Column (**any 7**) :—

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Column A	Column B
1. Constant Payout	A. Ratio Analysis
2. Foreign Bond	B. Stock Dividend
3. Beta	C. Foreign Currency Risk
4. Fundamental Analysis	D. Relevance Approach
5. Technical Analysis	E. Stable Dividend Policy
6. Modigliani and Miller	F. DPS / MPS
7. Gordon	G. MPS / EPS
8. P / E Ratio	H. Irrelevance Approach
9. Dividend Yield	I. Systematic Risk
10. Bonus Issue	J. Uses Chart

2. (A) The following data are available for a bond :

Face Value	₹ 1,000/-
Coupon Rate	16%
Maturity (at Par)	6 Years
Yield to Maturity	17%

What is the current market price ?

- (B) Kay Kay Ltd's equity shares currently sell for ₹ 45/- per share. The company's finance manager anticipates a constant growth of 11.5% and at the end of year dividend of ₹ 3.00/- per share.

- (i) What is the expected rate of return ?  
(ii) If the investor requires 15% return, should he purchase the stock ? (Support your decision with calculation)

OR

2. With the help of the information provided below you are asked to prepare Balance Sheet for Sun Ltd as at 31st March, 2017.

Liquid Ratio	1.5 : 1
Stock	₹ 50,000
Reserves to Capital	1: 4
Gross Profit Ratio	25% on Cost
Working Capital	₹ 1,75,000
Fixed Assets to Net Worth	0.80 times
Fixed Asset turnover Ratio	0.5 times
Average Collection Period	90 days
Cash Sales	25% of Net Sales
Stock turnover ratio	12 times (on Sales)

Total assets comprise of fixed assets, investments and current assets only.  
(Assume : 360 days)

3. (A) Mr. Spiky is contemplating purchase of 1500 equity shares of a company. His expectation is 15% before tax by way of dividend, with an annual growth of 10%. The company's last dividend was ₹ 4 per share. Even as he is contemplating, he finds that due to change in taxation rules, dividends have been exempted from tax in hands of the recipients. But the imposition of dividend Distribution Tax on company is likely to lead a fall in dividend of 30 paise per share. Mr. Spiky's marginal tax rate is 10%.  
Calculate what should be Mr. Spiky's estimate of the price per share before and after the change in taxation rules.

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(B) The following are the returns of Share (S) and Market (M) for the last 6 years :

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Year	Return S(%)	Return M (%)
1	18	15
2	9	7
3	20	16
4	-10	-13
5	5	4
6	12	7

(i) What is the total risk of Share and Market ?

(ii) How much is the systematic risk of Share ?

OR

3. (A) Mr. Sinha has invested in three mutual fund scheme as per details below :

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Particulars	Scheme X	Scheme Y	Scheme Z
Date of Investment	01/04/2015	01/10/2015	01/01/2016
Amount Invested	₹ 5,00,000	₹ 1,00,000	₹ 10,00,000
NAV as on Date of Purchase	₹ 10	₹ 20	₹ 50
Total Dividend Received up to 31/03/2016	₹ 62,500	₹ 8,750	₹ 61,000
NAV as on 31/03/2016	₹ 9.75	₹ 19.25	₹ 48.20

You are required to calculate yield on per annum basis in respect of each scheme as on 31/03/2016.

(B) The following information relates to Maya Ltd.

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Earnings of the Company	₹ 10,00,000
Dividend Payout Ratio	60%
No. of Shares Outstanding	2,00,000
Rate of return on Investment	15%
Equity Capitalization Rate	12%

(i) What should be the market value per share as per Walter's Model ?

(ii) What is the optimum dividend payout ratio as per Walter's Model and the market value of company's share at that payout ratio ?

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4. (A) From the following data on three mutual funds find out :

- Reward to Total Risk
- Reward to Systematic Risk. Also Rank them.

Fund	Return (%)	Standard Deviation (%)	Beta
Raksha	16	8	1.50
Varsha	12	6	0.90
Mitra	15	7	1.25

Fact : Risk Free rate is 7%

(B) An investor estimates return on shares in two different companies under four different scenarios as under :

Scenario	Probability	Khan Ltd (%)	Bachan Ltd (%)
1	0.20	12	10
2	0.30	15	18
3	0.40	19	25
4	0.10	25	36

Ascertain the risk associated with each class of the security ?

OR

4. (A) From the historical rate of return of two securities and market over the past 10 years, Calculate the Covariance and Correlation Co-Efficient of the two securities.

Year	Rate of Return (%)										SD
	1	2	3	4	5	6	7	8	9	10	
Security X	12	8	7	14	16	15	18	20	18	22	4.56
Security Y	20	22	24	18	15	20	24	25	22	20	2.90
Market	15	17	18	12	14	20	23	22	20	18	2.30

(SD - Standard Deviation)

(B) Mrs. Zara is planning for making investment in bonds of one of the companies i. e. either X Ltd. or Y Ltd. maturing at par. The details of these are as follows :

Company	Face Value	Coupon Rate	Maturity Period	Market Price
X Ltd.	₹ 1,000	11%	5 Years	₹ 950
Y Ltd.	₹ 100	12%	5 Years	₹ 84

Recommend which bond should be purchased.

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5. (A) Explain the impact of financial planning on the overall performance of an organisation ? **8**  
(B) Discuss the Assumptions of Modigliani and Miller Hypothesis and its significance. **7**
- OR**
5. Write short notes on (any **three**) :— **15**
- (a) Yield to maturity
  - (b) Types of mutual fund
  - (c) Principles of sound financial plan
  - (d) Objectives of portfolio management
  - (e) Portfolio diversification.