

F.M. - IV

21.5.18

Q.P.Code: 21379

Time: $2\frac{1}{2}$ Hours

Marks 75

- N.B.:** (1) All Questions are Compulsory.
(2) Each Question Carries 15 Marks.
(3) Support your Answer with Required Working Notes.

Q1A. Match the Column (Any 8)

(08)

A	B
1. Front End Load	1. Inflation
2. Advisory fees	2. Levered Ratio
3. Foreign Currency Risk	3. Systematic Risk
4. Purchasing Power Risk	4. Price Movements
5. Return on Equity	5. Operating Expenses
6. Return on Investment	6. Unsystematic Risk
7. Efficient frontier	7. Foreign Bonds
8. Increase in CRR	8. Unlevered Ratio
9. Loss of efficient CEO	9. Sales Charges
10. Technical Analysis	10. Markowitz

Q1B. Fill in the blanks (any 7)

(07)

1. If returns of S fall by 8% and returns of L increase by 8% then the value of correlation between S and L would be -----.
2. Under candle stick charts a ----- day is represented by a black or shaded box.
3. ----- is a ratio of trading of low rated bonds to high rated bonds.
4. In hybrid funds, the equity portion provides ----- and debt funds provide income.
5. Financial Leverage magnifies ----- of the company.
6. ----- trading refers to share trading done by the insiders of the company in company's share.
7. The ----- chart pattern be either a continuation or reversal pattern.
8. Higher the quick ratio better is the ----- solvency of the company.
9. Tertiary or minor trends are ----- fluctuations of little importance.
10. Portfolio returns are the ----- average return of securities in the portfolio.

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Q2 A. Evaluate the performance of following portfolios using the following information and rank them on basis of Sharpe and Treynor's Ratio. (10)

Portfolio	Standard Deviation (%)	Beta	Expected Returns (%) Half yearly
Angad	12	2.00	10
Hanuman	26	2.05	20
Surya	14	1.60	15
Shankar	21	1.20	17
Ganesh	23	1.50	16

The T bills yield 5% returns half yearly.

Q2B. Mr Suraj purchased 2500 units of ABC Mutual Fund at a price of Rs 3200 per unit. He redeemed all the units after the period of 12 months with 20% mark up on the purchase price. Calculate the net annualized returns if dividend of 15% was received during the holding period. (Face value of share – Rs1000 per share). (05)

OR

Q2 C. Calculate the beta factor of the following investment with the help of the following information (08)

Probability	Return on Security (%)	Market Returns (%)
1/3	12	18
1/3	45	24
1/3	35	36

Q2D. Suraj Mutual Fund held the following securities as on 31st March 2018 – (07)

Company Name	Market Value as on 31 st March 2018 (Value per share in Rs)	No of Shares held (units)
Kaira	250	20,000
Charu	320	30,500
Meena	460	20,050
Manju	980	5,550

Apart from above investments it also had Rs 25,00,000 as cash and Rs 12,50,000 as current assets. The total liabilities amounted to Rs 37,50,000 out of which ratio of external liabilities to reserves and surplus was 2:1. Compute the Net Asset Value per unit if the current outstanding units are 72500.

Q3A. Meena Ltd has 12,50,000 equity shares (Face value Rs 100 per share) outstanding in the beginning of the financial year 2017, presently selling at 100% premium in the market. The Board of Directors have recommended dividend @ 10% whereas the capitalization rate for the company is 15%.

Based on MM approach calculate the market price of the share of the company in case where dividend is approved by the shareholders and in case where no dividend has been approved and declared by the company in the annual general meeting.

Since the company wishes to diversify its existing product line in the coming period you as the financial manager are asked to find out the number of additional shares required to be issued under both the circumstances ie when dividend is declared and when dividend is not declared. The cost of diversification amounts to Rs 6,00,00,000 . The company's current net income amounts to Rs 3,60,00,000. (15)

OR

Q3B. From the following calculate Long term loans and Capital Employed.

Capital Gearing Ratio – 0.50

Debt equity ratio – 0.50

Equity Share Capital – Rs 24,00,000

9% Preference Share Capital – Rs 6,00,000 (08)

Q3C. Kadam Ltd has issued a debenture with face value Rs.1000/- bearing interest 12% p.a. maturing after 6 years at par. The expected rate of return of an investor is 15%. Should the investor buy the debenture if the current market price of debenture is Rs.1300? (07)

Q4A. Kiara an investor wishes to invest in either of the bonds, you as financial planner are asked to advise her which bond should be purchased and why? Support your answer with calculations based on YTM method. (08)

Bond	Coupon Rate(%)	Maturity (years)	Price per bond (Rs)
SUN	15	10	950
MOON	17	12	850

The bonds are expected to be redeemed at 20% premium. (Face value Rs 1000)

Q4B. The following information pertains to Angad Ltd.

Total Earnings	Rs. 40,00,000
Dividend Payout ratio	50%
No. of Shares outstanding	2,00,000
P/E Ratio	6 Times
Rate of Return on investment	12%

- (i) What should be the market value per share as per Walter's Model?
(ii) What is the optimum dividend pay-out ratio as per Walter's Model? (07)

OR

Q4C. Charu has a holding 25% of shares in BAT Ltd. She has assessed and found that CAT Ltd is of same and equivalent risk class. As her financial advisor you are required to explain him whether she will be better off in switching her holding to CAT Ltd or not using the following information.

Particulars	BAT Ltd	CAT Ltd
Total No. of Equity Shares	3,00,000	5,00,000
Market Price Per Share	Rs. 30	Rs.25
12% Preference Share Capital	Rs 2,00,000	NIL
10% Debentures	Rs. 6,00,000	Rs 10,00,000
Profit before interest	Rs. 8,40,000	Rs.10,10,000
Tax Rate	25%	30%

Note: All profits available for distribution as dividend are distributed. (15)

Q5A. What do you mean by technical analysis? Explain market indicators of technical analysis? (08)

B. Explain the need and importance of strategic financial management. (07)

OR

Q5. Write Short notes on any 3 (15)

1. Portfolio Diversification
2. Financial Planning
3. The Dow theory
4. Factors affecting industry analysis
5. Classification of Mutual Funds
