

AT-1416

M.B.A. Semester—III (New) Examination

INVESTMENT SCIENCE

Time : Three Hours]

[Maximum Marks : 70

Note :—(1) Figures to the right indicate marks.

(2) Attempt **ALL** questions.

SECTION—A

1. (a) What are the features of money market ? What is the role of money market in economic development ? 14

OR

- (b) "Index is the barometer of economy." Discuss. 14

SECTION—B

2. (a) What are the advantages of listing on stock exchange :

(i) For a firm

(ii) For an investor ? 7

- (b) Calculate value of equity share from the given data :

Equity Share Capital (₹ 20 each) — ₹ 4,00,000; Reserves and Surplus — ₹ 40,000;
12.5% Secured Loans — ₹ 2,00,000; 15% Unsecured Loans — ₹ 1,00,000;
Fixed Assets — ₹ 2,50,000; Investment — ₹ 1,00,000; Operating Profit — ₹ 1,50,000;
Tax Rate — 50%; P/E Ratio — 12.5. 7

OR

- (c) What is the importance of investment ? How would you differentiate between investment and gambling ? 7

- (d) Calculate the value of equity share from the following :

Particulars	Amount (Rs.)	
Equity Share Capital (₹ 20 each)	5,00,000	
Reserves and Surplus	50,000	
15% Secured Loans	2,50,000	
15% Unsecured Loans	1,00,000	
Fixed Assets	3,00,000	
Investments	50,000	
Operating Profit	2,50,000	
Tax Rate	50%	
P/E Ratio	12.5	7

3. (a) Explain the concept of NPV. How does it differ from IRR ? 7
 (b) Shares of Palak Ltd. are selling at ₹ 50 in the market. The company is expected to pay a dividend of ₹ 4 after 1 year, with growth rate of 10%. Find out required rate of return for shareholders. 7

OR

- (c) Explain the concept of "Time Value of Money". 7
 (d) Find the present value of income stream which provides Rs. 50,000; Rs. 1,00,000; Rs. 1,50,000, Rs. 1,00,000 and Rs. 50,000 at the end of 6th, 7th, 8th, 9th and 10th year respectively, from today. Assume the rate of discounting as 10%. 7

SECTION—C

4. (a) Explain YTM approach for bond valuation with an example. 7
 (b) What are the advantages and disadvantages of non-convertible bonds ? Explain. 7

OR

- (c) What are the various features of a bond ? Explain. 7
 (d) How to evaluate the corporate bonds ? Explain. 7

SECTION—D

5. Show the effect of dividend policy on the market price of the share using Walter's model, with the help of the following example :

Capitalization rate (k_e) = 10%;

Earning per share = ₹ 10;

Assume return on investment as :

- (i) 15%
 (ii) 10%
 (iii) 8%.

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