N18-102

December-2014

B.B.A., Sem.-V

CC-307 : Adv. Financial Management

Time : 3 Hours]   **[Max. Marks : 70**

1.   (A)   (i)   Mr. factor purchases an equity share of X Ltd. X Ltd. has paid dividend of ₹ 2 per share last year. Dividends are growing at a rate of 10%. What is the required rate of return of Mr. X on his equity investment if he purchases an equity share for ₹ 22.   **2**

         (ii)   A company has sold 1000, 10% preference shares of ₹ 100 each. You are required to calculate the cost of preference share capital when they are issued at :   **2**

                 (i)   10% premium and

                 (ii)   at 10% discount

         (iii)   Molu Ltd. (Company) issues ₹ 100 par value of debentures carrying 15% interest. The debentures are repayable after 7 years at face value. The cost of issue is 3% and tax rate is 35%. Calculate cost of debenture.   **3**

OR

   (A)   From the following particulars of capital structure of a company, you are required to calculate the overall cost of capital :   **7**

       (i)   800, 8% debentures of ₹ 1,000 each issued at par → ₹ 8,00,000.

       (ii)   2000, 9% Preference Shares of ₹ 100 each issued at par → ₹ 2,00,000.

       (iii)   10,000, Equity shares of ₹ 100 each issued at par → ₹ 10,00,000.

New debentures can be sold at part at 10% interest rate. Preference shares will have a 12% dividend rate and can be sold at par. Equity shares can be sold to net ₹ 90 per share. The shareholder's required rate of return is 8%, which is expected to grow at 4%. Retained earnings for the year are estimated to be ₹ 1,00,000. The company is planning to expand its business accordingly and the company's tax rate is 50%. Determine the cost of each source of capital.

(B) From the following capital structure of a company, you are required to calculate the overall cost of capital : 7

1000, 12% Pref. shares of ₹ 100 each issued at par – ₹ 1,00,000.

10,000, Equity shares of ₹ 10 each issued at par – ₹ 1,00,000.

Retained Earnings – ₹ 1,50,000.

5,000, 10% Debentures of ₹ 100 each issued at par – ₹ 5,00,000.

12% Term loan from SFS → ₹ 2,00,000.

The market price of an equity share is ₹ 30. The next expected dividend is ₹ 3 per share and the dividend per share is expected to grow at 10%. The preference shares are redeemable after 7 years at par and are currently quoted at ₹ 75 per share.

The debentures are redeemable at par after 5 years and are quoted at ₹ 90 per debenture. The tax rate applicable to the company is 40%.

OR

(B) Golu Ltd. has the following book value capital structure as on March 31, 2005 : 7

	₹
Equity Share Capital (2,00,000 shares)	40,00,000
11.5% Preference Shares	10,00,000
10% Debentures	30,00,000
	80,00,000

The Equity Share of the company sells for ₹ 20. It is expected that the company will pay next year a dividend of ₹ 2 per equity share, which is expected to grow at 5% per annum forever. Assume a 35% corporate tax rate.

Required :

(1) Compute WACC of the company based on the existing capital structure.

(2) Compute the New Weighted Average cost of capital, if the company raises an additional ₹ 20 lakhs debt by issuing 12% debentures. This would result in increasing the expected equity dividend to ₹ 2.40 and leave the growth rate unchanged, but the price of equity share will fall to ₹ 16 per share.

2. (A) XYZ company issued 12% perpetual preference stock with a face value of ₹ 100 compute value of preference stock assuring 14% required rate of return. 7

OR

(A) A company issued 12% preference stock with a face value of ₹ 100, redeemable after 5 years. Required rate of return is 10%. Determine value of preferred stock. 7

(B) (i) Mr. Holo purchased an equity stock of Gopi Company at ₹ 100 per share. It is expected to provide a dividend of ₹ 10 per share and fetch a price of ₹ 110 after one year. Compute stock value assuming required rate of Return is 14%. **7**

(ii) Cholu Company paid ₹ 5 as dividend per share for the last year and it is expected to remain constant forever. Determine value of stock if investors required rate of return is 20%.

OR

(B) (i) ABC company issues a bond with face value of ₹ 2,000 at 14% coupon rate. The bond is redeemable after 8 years. Required rate of return on this bond is 18%. Determine value of the bond. **3**

(ii) PQ company issues a bond with a face value of ₹ 200 each at an interest rate of 10%. The interest payable is semiannually. The bond is redeemable after 4 years at ₹ 210. Cost of debt is 12%. Determine value of bond. **4**

3. (A) Discuss the Walter's Model of dividend policy. **7**

OR

Discuss the MM hypothesis – Dividend Irrelevance. **7**

(B) What are the determinants of Dividend policy ? **7**

OR

Discuss the Gordon Model of Dividend policy. **7**

4. (A) Define derivatives. Discuss its characteristics. **7**

OR

Discuss the difference between forwards and futures. **7**

(B) Write a short note on RAD in Capital Budgeting. **7**

OR

Explain the meaning of spot, forward contract, future contracts and options in brief. **7**

5. Answer **all** : 14

(1) Cost of capital is the _____ required rate of return expected by investors.

   [minimum, maximum, fixed, variable]

(2) Implicit cost is also called as _____.

   [Economic cost, Marginal cost, Opportunity cost, Out of pocket cost]

(3) There is no cost for internally generated funds. (True / False)

(4) _____ weights assigned on the basis of values found on the Balance Sheet. (Book, Market, Marginal, Heavy)

(5) Market value of an asset is the price at which the asset (security) is bought or sold in the market. (True / False)

(6) Preference stock is a form of hybrid security. (True / False)

(7) _____ value, is the value that is realized when a running business is sold.

(8) Stock dividend is also termed as _____.

   (a) Interim dividend

   (b) Bonus shares

   (c) Cash dividend

   (d) Regular dividend

(9) According to Walter's dividend model, optimum dividend Payout Ratio in case of growing firms is 100%. (True / False)

(10) The term _____ refer to that portion of the profits after tax which is reinvested in the business.

(11) Derivatives do not have _____ of their own.

(12) The price of a commodity or financial asset for immediate delivery is known as the _____.

(13) The RADR for a new product development project will be higher than that of an expansion project. (True / False)

(14) _____ is the term used for Reducing Risk by using derivatives.   (Waiving / Revoking / Hedging)

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December-2014

B.B.A., Sem.-V

Advanced Marketing Management

Time : 3 Hours]   **[Max. Marks : 70**

1.   (a)   Define Brand equity, Brand awareness and Brand image with examples.   7

       (b)   Write a detail note on Brand Architecture.   7

OR

       (a)   Explain the inner and outer core of brand identity.   7

       (b)   Explain brand identity prism with a relevant example.   7

2.   (a)   Explain any four observation method in brief with example.   7

       (b)   Differentiate primary data and secondary data.   7

OR

       (a)   Explain in brief Marketing Research Designs.   7

       (b)   Write a short note on Focus Group interview methods.   7

3.   (a)   What is the necessity of a questionnaire ? Explain the process of designing on effective questionnaire.   7

       (b)   Explain any two primary scales of measurement in detail with example.   7

OR

       (a)   Explain probability sampling technique in brief.   7

       (b)   Explain Likert scale and semantic differential scale with reference to usage, importance and process of designing.   7

4.   (a)   Explain GAP model of service quality.   7

       (b)   Explain the varied reasons for variation in demand of services.   7

OR

(a) Explain the concept of Service Flower. **7**

(b) Write a detail note on reasons growth of service sector. **7**

5. (1) The kind of clothes that a service employee wears is a part of the physical evidence. (True / False) **14**

(2) Ordinal scale is the lowest level of measurement and merely measures the difference in kind. (True / False)

(3) One should use only Primary Data in research. (True / False)

(4) Research design determines the data collection tool on technique. (True / False)

(5) Sales analysis is a type of problem identification research. (True / False)

(6) Police provide low contact services. (True / False)

(7) Brand has no expiry date. (True / False)

(8) Competition information is kind of internal records. (True / False)

(9) Accessibility is not an important factor with respect to services. (True / False)

(10) Cross-sectional design involves the collection of information from any given of samples of population only once.

(11) Define any **two** : (2 marks each)

    (1) Interactive Marketing

    (2) Causal Research

    (3) Market Research

    (4) Brand equity

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December-2014

B.B.A., Sem.-V

Advanced Human Resource Management

Time : 3 Hours]   **[Max. Marks : 70**

1. (a) What is SHRM ? Discuss all the components of SHRM in detail.   7

OR

What is Personnel Management ? Discuss the evolution of Personnel Management to Human Resource Management and strategic Human Resource Management.

(b) What determines the investment orientation towards Human Resource in an organisation ? Kindly elaborate.   7

OR

Do you believe it to be risky to invest in human resource ? Please justify why. Also discuss the investment perspective.

2. (a) Is human resource management changing as a function ? How and why ?   7

OR

Please explain the essential element of strategic Human Resource Management. Also discuss the competencies required by HR dept. to be a strategic partner to the organisation in brief.

(b) Discuss any three environmental trends affecting Human Resource Management.   7

OR

Explain the benefits of strategic Human Resource Management and bring out the barriers to it.

3. (a) Why is performance management better than performance appraisal. Discuss in detail.   7

OR

How can the appraiser / supervisor avoid the performance appraisal related errors ?

(b) Discuss any two methods of performance appraisal in detail along with advantages and disadvantages.   7

OR

Compare performance appraisal and performance management with appropriate examples. Discuss the supervisor's role in appraising performance.

4. (a) Discuss the process of establishing pay rates. 7

OR

What are the basic factors considered in determining pay rates ?

(b) What is competency based pay ? Why is it given ? Discuss the advantages and disadvantages. 7

OR

Discuss flexible benefit programme. Discuss cafeteria approach, job sharing, work sharing and telecommuting in detail.

5. Please answer the following : 14

(1) Skill mobility makes it _____ risky for an organisation to invest in human resource. (more / less)

(2) Traditional HRM believes in _____ control, while SHRM believes in _____ control. (organic / bureaucratic)

(3) Performance Appraisal is carried out at longer intervals which makes it _____ to modify employee's performance. (easy / difficult)

(4) If the experts outside the organisation are more cost efficient than the internal employee then, investment in human resource should be _____. (increased / decreased)

(5) The changing role of HRM has led to a change in the role of HR manager. The changed role also involves _____ role. (Administrative / strategic)

(6) Non-conventional work weeks are also called _____. (complex weeks / compressed work weeks)

(7) Mergers and acquisitions often result in _____ among employees. (confidence / insecurity)

(8) If a firm increases its efficiency cuts costs and attempts to offer lowest price in the market then it is _____ business strategy. (cost leadership / differentiation)

(9) Performance Management is a _____ term. (Comprehensive/Conservative)

(10) Managing morale and commitment of survivors is a challenge posed by _____. (downsizing / work force diversity)

(11) _____ method of PA helps the appraiser to evaluate each trait of an employee in comparison with other. (Alteration Ranking / Paired Comparison)

(12) _____ approach of flexible work arrangements offers flexible spending accounts and flexible benefit fund. (Cafeteria / Job sharing)

(13) In order to ensure that HR strategies facilitate the achievement of business strategies, _____ is required. (strategic fit / capital)

(14) Benchmark jobs are also called _____ jobs. (Anchor / Flexible)

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