

2012

MASTER OF BUSINESS ADMINISTRATION

[Third Semester Examination]

FINANCIAL AND INVESTMENT ANALYSIS

[Specialisation : *Financial Management*]

PAPER—F-303

Full Marks : 100

Time : 3 hours

The figures in the right-hand margin indicate marks

Candidates are required to give their answers in their own words as far as practicable

Illustrate the answers wherever necessary

**Write the answers to questions of each Half
in separate books**

FIRST HALF

[Marks : 50]

(Turn Over)

1. Answer any *four* questions from the following : 5 × 4

- (a) Distinguish between 'external analysis' and 'internal analysis'.
- (b) Distinguish between 'systematic' risk and 'unsystematic' risk with examples.
- (c) State the differences between 'speculation' and 'investment'.
- (d) Write a short note on 'common-size financial statement'.
- (e) What do you mean by NAV? How is it calculated?
- (f) What does a high P/E ratio suggest about a firm's future growth opportunities?

2. Answer any *two* questions from the following : 10 × 2

- (a) You are given the following figures relating to ABC Ltd. :

Current ratio → 2.5

Liquidity ratio → 1.5

Net working capital → Rs. 3,00,000

Stock turnover ratio → 6 times

Gross profit ratio \rightarrow 20%

Average debt collection period \rightarrow 2 months

Fixed assets / Net worth \rightarrow .80

Reserve and surplus / Capital \rightarrow .50

Draw up the Balance Sheet of the company based on the above information.

(b) Following information are related to a bond :

Face value – Rs. 2,200;

Coupon rate – 15%,

Current market price – Rs. 1,700

Maturity period – 5 years

Investors' reinvestment rate – 16%.

Suggest whether it would be profitable for the investor to invest funds in this bond or not.

(c) Describe the procedure developed by Markowitz for choosing the optimal portfolio of risky assets.

[*Internal Assessment* : 10 Marks]

SECOND HALF

[Marks : 50]

3. Answer any *four* questions from the following : 5×4
- (a) Write the basic tenets of Dove theory.
 - (b) What are the various ways in which sales forecast of a company can be done by an investor ?
 - (c) Discuss about the applicability of efficient market hypothesis in the Indian Stock Market.
 - (d) Calculate market price of :
 - (i) 10% Government of India security currently quoted at Rs. 110, but interest rate is expected to go up by 1%.
 - (ii) A bond with 7.5% coupon interest, face value Rs. 10,000 and term to maturity of 2 years, presently yielding 6%. Interest payable half yearly.

- (e) From the following particulars, calculate the value of an equity share :

	<u>Rs.</u>
2000, 9% preference shares of Rs. 100 each	2,00,000
50,000 equity shares of Rs. 10 each, Rs. 8 per share paid up	4,00,000
Expected profit per year before tax	2,18,000
Rate of tax – 30%	
Transfer to general reserve – 20% of profit	
Normal rate of earning – 15%	

- (f) Derive two stage growth model for valuation of equity shares.

4. Answer any *two* questions from the following : 10 × 2

- (a) Explain three different forms of market efficiency with suitable examples.
- (b) Explain how the industry life cycle theory helps in fundamental evaluation of a company.

- (c) Closing value of NSE Nifty from 6th to 17th day of the month of December, 2012 were as follows :

<u>Date</u>	<u>Day</u>	<u>Nifty</u>
6	Thu	3522
7	Fri	3925
8	Sat	No Trading
9	Sun	No Trading
10	Mon	4222
11	Tue	4500
12	Wed	4900
13	Thu	5400
14	Fri	No Trading
15	Sat	No Trading
16	Sun	No Trading
17	Mon	6000

Calculate Exponential Moving Average (EMA) of Nifty during the above period. The 30 days simple moving average of Nifty can be assumed as 4500. Give detailed analysis and comment on the basis of your calculations.

[*Internal Assessment* : 10 Marks]
