(b) A company has equity shares of the face value of Rs. 10. It just paid an annual Div. of Rs. 4. The dividend is expected to grow at 9% per annum perpetually. The company is quite consistent. It has an equity capitalization rate of 15%.

(1) What is the intrinsic value of the shares ?

(2) If the equity capitalization rate is 14%; what would be the value of the shares ? 7

OR

(c) What are the characteristics of equity shares ? Discuss various factors in favour of equity shares with reference to investment in equity shares. 7

(d) Anand estimates that from investment on stock A he would get 15% dividend next year. It would continue to grow by 10% for the rest of years. The selling price is Rs. 40. He needs a return of 20% per year for his son's educational expenses. Can he invest on stock 'A' ? 7

SECTION—C

5. Following information is available regarding a bond :

(1) Face value Rs. 1000

(2) Coupon rate 10%

(3) Time to maturity 10 years

(4) Market price Rs. 1250

(5) Callable in 5 years and the price is Rs. 1200.

Calculate :

(1) Yield to Maturity (Y.T.M.) 7

(2) Yield to Call (Y.T.C.). 7

AQ–1346A

M.B.A. (Semester–III) (New) Examination

INVESTMENT SCIENCE

Time—Three Hours] [Maximum Marks—70

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

(2) Attempt **ALL** questions.

SECTION—A

1. (a) What is listing of shares ? Describe the advantages provided for listing. What documents should be filed for listing of shares ? What type of information; the listed company must provide to the stock exchange ? 14

OR

(b) What is SEBI ? What is its main objective ? Which are the guidelines issued by SEBI for investors protection ? What are the common grievances of an investor ? 14

SECTION—B

2. (a) Distinguish between :

   1) Investment and Gambling

   (2) Real Assets and Financial Assets. 7

   (b) The return on two securities "X" and "Z" are as follows, select the security on the basis of return. 7

Probability	Return on Z; (%)	Return on X; (%)
0.5	1	5
0.4	3	4
0.1	5	0

OR

   (c) Why are investments important ? 7

   (d) An investor has to choose from two securities; the following are their rates of return and probabilities :

P		Q	
Probability	Return %	Probability	Return %
0.1	13	0.1	20
0.2	16	0.4	16
0.3	22	0.3	10
0.4	25	0.2	3

The security has to be selected on the basis of return and risk. 7

3. (a) Explain the concept of "Time Value of Money ". 7

   (b) Calculate N.P.V. from the following information :

Yr	Cash Flows in Rs. at the end of the period
0	–5,00,000
1	3,00,000
2	1,00,000
3	3,00,000

Assuming discount rate of 10%. 7

OR

   (c) Explain the concept of Net present value with the help of suitable example. 7

   (d) Two options are available as follows :

   (1) Lumpsump 8 lakhs Rs. today, or

   (2) Rs. 1.5 lakhs each year for coming ten years; at the end of each year.

   Assume interest rate as 10%. Which option is preferred ? 7

4. (a) How do the preference shares rank in terms of investment ? Discuss different types of preference shares available in the market with their qualities. 7