Week 4 Assignment 2

The due date for submitting this assignment has passed. Due on 2016-10-05, 23:00 IST.
As per our records you have not submitted this assignment.

1) M/s ABC INC. pays Rs.0.80 paise dividend every month for a preferred share and the required return (discount rate) is 6% per year. What is the expected value of the preferred share?

- Rs. 166.00
- Rs. 168.00
- Rs. 160.00
- Rs. 164.70

No, the answer is incorrect.
Score: 0
Accepted Answers:
Rs. 160.00

2) In the most recent year the annual (2012) dividend paid by M/s XYZ is Rs.5 per share. An annual increase of 10% (g1) is expected over the next three years. At the end of the three years (end of 2015) the dividend growth rate will slow down to 5% (g2). Assuming 15% is the rate of return (i) compute the current value (end of 2015) of the share of M/s XYZ

- Rs.72.67
- Rs.61.51
- Rs. 47.78
- Rs. 42.70

No, the answer is incorrect.
Score: 0
Accepted Answers:

3) A firm has issued a 10 year bond with Rs.10,000 par value with 15% coupon as well as discount rate with interest paid annually. Compute the value of the bond.

- Rs.1500.00
- Rs.10000
- Rs. 2471.85
- Rs. 1000.00

No, the answer is incorrect.
Score: 0
Accepted Answers:
Rs.10000

4) Bond of M/s Trident matures in eight years with a coupon rate of 9% and a maturity value of Rs.10,000. For simplicity's sake, let's assume that the bond pays annually and the discount rate is 12%.
5) M/s Trident has floated Bonds with a coupon rate of 9% and a maturity value of Rs.10,000. For simplicity's sake, let's assume that the bond pays annually. Compute the value of the bond for the different discount rates 5%, 9% and 12% and maturity periods starting from 0 years to 5 years. After evaluating the results, derived conclusion is:

- The shorter is the time to maturity, the smaller is the impact on bond value caused by a given change in the discount rate.
- The longer is the time to maturity, the smaller is the impact on bond value caused by a given change in the discount rate.
- When discount rate is same as coupon rate, then bond value for different maturity periods is same and will be equal to par value.
- Both (a) and (c).

No, the answer is incorrect.
Score: 0
Accepted Answers: Both (a) and (c).

6) M/s PLA Inc. is expecting to earn Rs.16 per share next year (2010). Assuming the industry average P/E ratio of 15, what will be the firm's share value?

- Rs. 420.00
- Rs. 168.00
- Rs. 166.67
- Rs. 240.00

No, the answer is incorrect.
Score: 0
Accepted Answers: Rs. 240.00

7) Mark True (T) or False (F) for the following statements.
(i) Redeemable preference shares can be redeemed either at par or at premium.
(ii) Preference share holders enjoy voting rights.
(iii) Non-cumulative preference shareholders can get divided.
(iv) Participating preferences shareholder has no right to get an additional dividend.

- T,F,F,F
- F,T,T,T
- T,F,T,F
- T,T,F,F

No, the answer is incorrect.
Score: 0
Accepted Answers: T,F,F,F

8) The financial manager of Gadgets Corporation currently selling a bond for Yield to Maturity (YTM) 8% with a coupon rate of 8% and a maturity value of Rs.10,000. The maturity period is 5 years. The bond pays interest semi-annually. Compute the present value of bond selling by the financial manager of Gadgets Corporation?

- greater than Rs.10000
- less than Rs.10000
9) M/S XYZ has paid following dividends per share per year and assuming a 18% required return (discount rate) and Rs.6.86 per share dividend in the year 8, compute the value of the share:

- Rs.66.67
- Rs. 68.60
- Rs. 16.67
- Rs. 84.70

No, the answer is incorrect.
Score: 0
Accepted Answers: equal to Rs.10000

10) M/s Trident has floated Bonds with a coupon rate of 9% and a maturity value of Rs.10,000. For simplicity’s sake, let’s assume that the bond pays semi-annually for discount rate of 11%. The maturity period is 10 years. Compare the value of the bond under similar condition but when the interest is paid annually.

- Rs.8822.15, Rs.8804.80
- Rs.5300.31, Rs.5377.50
- Rs. 3521.84, Rs.3427.30
- Rs.8804.80, Rs.8822.80

No, the answer is incorrect.
Score: 0
Accepted Answers: