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## Unit 5 - Week 4

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Quiz : Week 4 Assignment 1

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## 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 **1 point** 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 **0 points** 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 **1 point** 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 **0 points** Rs.10,000. For simplicity's sake, let's assume that the bond pays annually and the discount rate is 12%.

Valuate the bond

- Rs. 8304.93
- Rs.5083.20
- Rs. 57021.71
- Rs.87021.71

**No, the answer is incorrect.**

**Score: 0**

**Accepted Answers:**

5) M/s Trident has floated Bonds with a coupon rate of 9% and a maturity value of Rs.10,000. **1 point**  
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 ? **1 point**

- 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. **1 point**

- (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 dividend.
- (iv) Participating preference 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? **1 point**

- greater than Rs.10000
- less than Rs.10000

- equal to Rs.10000  
 can't say

**No, the answer is incorrect.**

**Score: 0**

**Accepted Answers:**

*equal to Rs.10000*

9) M/S XYZ has paid following dividends per share per year and Assuming a 18% required 1 point  
 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:**

*Rs. 68.60*

10M/s Trident has floated Bonds with a coupon rate of 9% and a maturity value of Rs.10,000. 0 points  
 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:**



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