

**VPM's**  
**DR VN BRIMS, Thane**  
**Programme: PGDM (2015-17) (Finance)**  
**PGDM Trimester VI Examination April 2017**

<b>Subject</b>	<b>Investment Banking</b>		
<b>Roll No.</b>		<b>Marks</b>	<b>60 Marks</b>
<b>Total No. of Questions</b>	<b>7</b>	<b>Duration</b>	<b>3 Hours</b>
<b>Total No. of printed pages</b>	<b>2</b>	<b>Date</b>	<b>15.04.2017</b>

**Note: Q1 is compulsory and solve any FOUR from the remaining SIX questions.**

**Q1) 20 Marks (Compulsory)**

Each sub-question carries 5 marks.

- What is investment banking? What is the difference between Investment banking and Commercial Banking?
- What are the different types of venture capital?
- What are the various methods of evaluating investments?
- What are the various terms associated with debt securities?

**Attempt Any FOUR from the Remaining SIX Questions**

**Q2) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks**

- A firm is deciding to invest Rs. 40,00,000 in an investment option. The returns expected in the next four years are Rs. 5,00,000, Rs. 10,00,000, Rs. 18,00,000 and Rs. 28,00,000. Should the company go for the investment? Answer using NPV (Interest Rate = 16%)
- Answer the above question using Internal Rate of Return (IRR) method.
- Answer the above question using Return on Investment (ROI) method. The return on investment required is 20% per annum.

**Q3) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks**

- What are the steps in the VC funding process?
- What are debt securities? What are the advantages of investing in debt securities?
- What is a business plan? What is 'market analysis' section in business plan?

**Q4) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks**

- A Rs. 100 par value bond, bearing a coupon rate of 12% will mature after 8 years. The required rate of return on this bond is 14%. What is the value of this bond?
- A Rs. 1000 par value bond, bearing a coupon rate of 14%, will mature after 5 years. The required rate of return on this bond is 13%. What is the value of this bond?
- A Rs. 100 par value bond carried a coupon rate of 12% and a maturity period of 8 years. Interest is payable semi-annually. Calculate the value of the bond if the required rate of return is 14%.

**Q5) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks**

- If a company pays a dividend of Rs. 4 on a Rs. 10 per share and the expected rate of dividend (cost of equity) is 20% what is the value of the share?
- In the above example if the present dividend is expected to grow at 5% per annum what is the valuation?
- PE limited has an after-tax profit of Rs. 10 million and a paid up capital of Rs. 20 million divided into 2,000,000 shares of Rs. 10 each. It currently trades at a P/E multiple of 32. What is the current market price of the share?

**Q6) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks**

- a) What is the importance of writing a business plan?
- b) What is a mutual fund? What are the advantages of mutual fund?
- c) What are the different types of mutual fund?

**Q7) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks**

- a) What are different types of shares?
- b) A company with 10,000 shares of Rs.100 each, declares an annual dividend of 5%. What is the total amount of dividend paid by the company? What would be the annual income of a man, who has 72 shares, in the company?
- c) A man invested Rs. 45,000 in 15% Rs.100 shares quoted at Rs.125. When the market value of these shares rose to Rs.140, he sold some shares, just enough to raise Rs. 8,400. Calculate the number of shares he still holds and the dividend due to him on these shares.