

College Name: _____

Seat No: _____ Student's Name: _____

Copy No: _____

KARACHI UNIVERSITY BUSINESS SCHOOL
UNIVERSITY OF KARACHI
FINAL EXAMINATION DECEMBER 2017; AFFILIATED COLLEGES
FINANCIAL MANAGEMENT; BA (H)-551 (PART B)
BBA – V

Date: January 12, 2018

Max Time: 2 Hrs

Max Marks: 40

INSTRUCTIONS:

- 1. Attempt any 4 questions. Do not write anything on the question paper. EXCEPT the initials mentioned above.**
- 2. Mobile phones or any other communicating device will not be allowed in the examination room. Students will have to remove the batteries of these devices before entering the examination hall.**

- Q1 a) The next dividend payment by ECY, Inc., will be \$2.85 per share. The dividends are anticipated to maintain a 6 percent growth rate, forever. If ECY stock currently sells for \$58 per share, what is the required return?
- b) Suppose a German company issues a bond with a par value of €1,000, 15 years to maturity, and a coupon rate of 8.4 percent paid annually. If the yield to maturity is 7.6 percent, what is the current price of the bond?
- Q2 Fuji Software, Inc., has the following projects under consideration.

Year	Cash Flows
0	-10,000
1	6,500
2	4,000
3	1,800

Required:

Calculate (a) payback period (b) NPV if discount rate is 15%.

- Q3 You have \$10,000 to invest in a stock portfolio. Your choices are stock X with an expected return of 16 percent and stock Y with an expected return of 10 percent. If your goal is to create a portfolio with an expected return of 12.9 percent, how much money will you invest in stock X? In stock Y?
- Q4 Bruce & Co. expects its EBIT to be \$140,000 every year forever. The firm can borrow at 9 percent. Bruce currently has no debt, and its cost of equity is 17 percent. If the tax rate is 35 percent, what is the value of the firm? What will the value be if Bruce borrows \$135,000 and uses the proceeds to repurchase shares?
- Q5 Titan Mining Corporation has 8.5 million shares of common stock outstanding and 200,000 7.5 percent semiannual bonds outstanding, par value \$1,000 each. The common stock currently sells for \$34 per share and has a beta of 1.20, and the bonds have 15 years to maturity and sell for 93 percent of par. The market risk premium is 7 percent, T-bills are yielding 5 percent, and Titan Mining's tax rate is 35 percent. Calculate WACC
- Q6 Write short note on any two of the following:
- a) Financial Markets
 - b) Advantages and disadvantages of short term finance
 - c) Advantages of leasing

END OF SUBJECTIVE PAPER