

- opportunities promise a return of 15%. What price should be paid for the share if required rate of return is 13%? What is the value of growth opportunities? What is the expected rate of return from the share if its current market price is Rs. 60?
3. Diamond Ltd currently pays a dividend of Rs. 3.30 per share. The dividend is expected to grow at a 12% p.a. for three years, thereafter at 9% for next three years, after which it is expected to grow at 6% forever. What is the present value of the share if the capitalization rate is 10%?

Q4[a] Discuss growth investing and value investing. [08]

Q4[b] The distribution of return for share "P" & Market portfolio "M" is given below :- [09]

Probability	Return	
	P	M
0.30	30	-10
0.40	20	20
0.30	0	30

Calculate : [1] Expected Return and Risk, [b] Co-Variance between Market Portfolio & security "P", [c] Co- relation Co-efficient between share "P" & Market Portfolio "M", [d] Beta of security "P", [e] Expected return on share P, Using CAPM ,if Risk free Rate is 8%.

OR

Q4[a] "Market efficiency can be categorized into three levels." Elucidate. [09]

Q4[b] Maruti Ltd has provided the following facts: [08]

▪ Risk free rate 9%	▪ Expected dividend during the next year Rs. 3/-
▪ Required Rate of Return on Market Portfolio 18%	▪ Growth rate 8%
▪ Beta 1.5	

Compute the price at which the shares of Maruti Ltd should sell?
