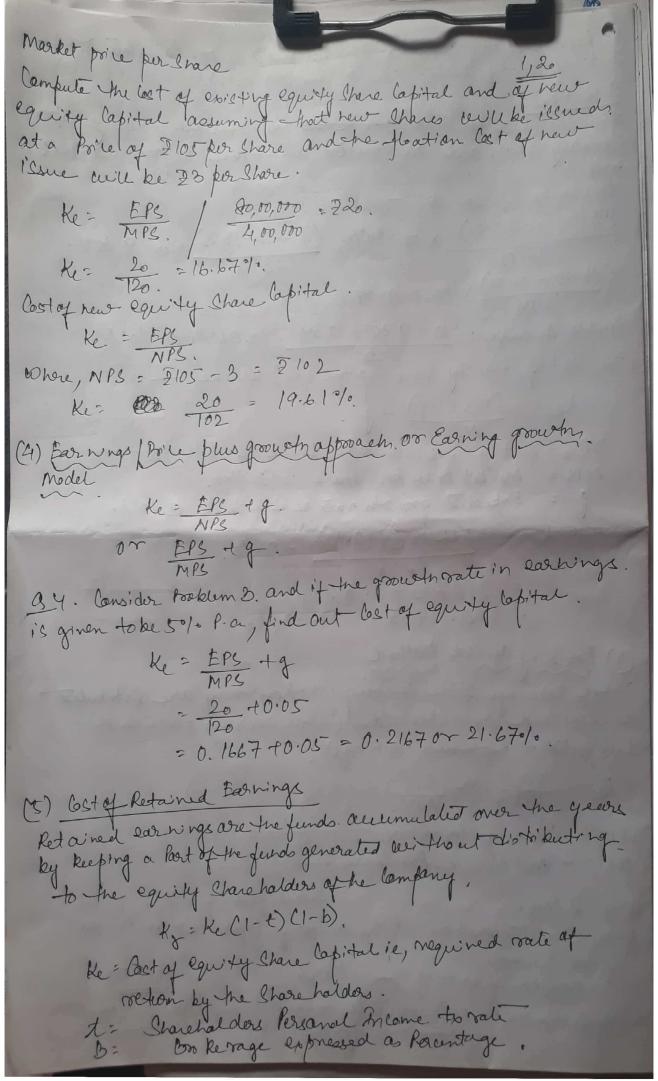
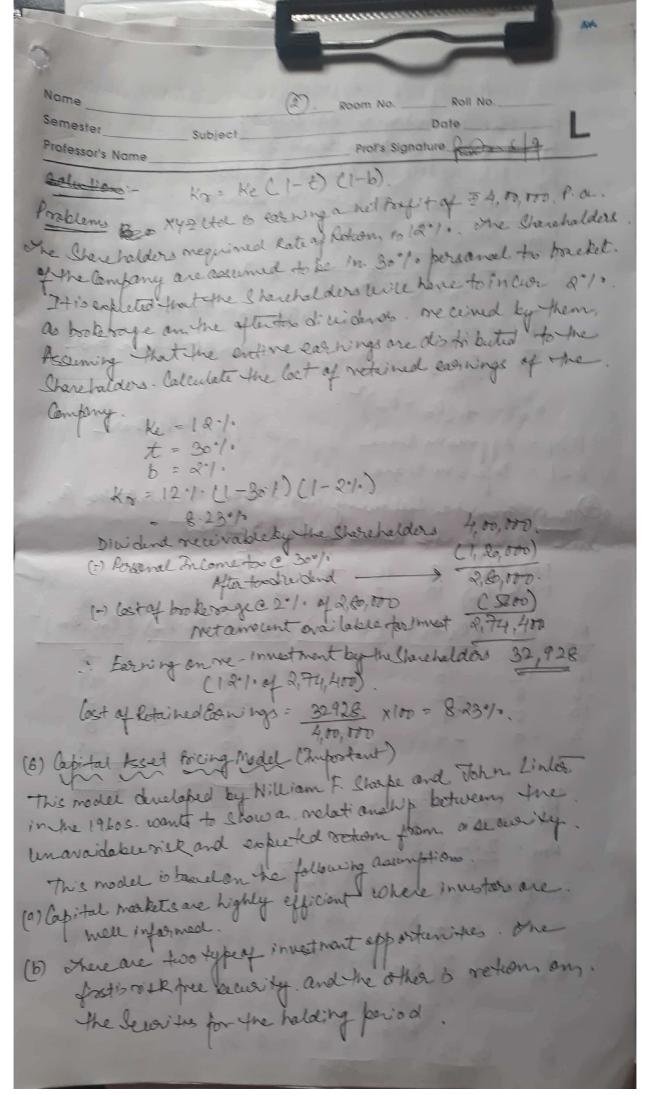


been £ 12.00, £ 13.20, £14.50 and £ 16.00, Calculate the Cost of Equity Shares. (Ch. B. Com (H) 2012). Salutions: -The dividends per Share over the last four years are growing appro-Xi mately (1011. and are expected to centilive to grow at this sate. This Can be Shown as: (713.20-712-00) x100=10°1., (714.50-13.20).x100=9.85°1. (16.00 - 14.00) x 100 = 10.34.1. Simple Average = 10+9.85+10.34. . 10.06.1.08 10.1. The Cost of equity share Capital (Ke) will be Ke = DPSO (1+g). + g DPSo = Last years d'vidend pur Share le, 216.7. MPS = Market Price por Share re 2 240. = Expedid growth rate of Leidend @ 10%. : Ke = 216.00 (1+0.10). +0.10. = 0.0733+0.10. = 0. 1733 or 17.33 %. (3) Earning yield Method Total . earnings . If the Company whothers they are distribuled as dividend or metained. (Since earnings = dividend. distributed of Restained larnings) Ke = EPS OF EPS ERS! - Earnings Por Share NPS: - met housed. Per Share. 33. R Ctcl. is. Considering. an expenditure of 250C for Bolanding its operation. The helessory information is as. Number of existing equity Shore After too Profit (PAT) avoi lable to Equity Charchaldon, 80,00,000





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P . 0 . 10 . 0 \ N . 0 .
Ri=Rf+ (Rm-Rf) x Bi
Ri: Expected rotum on its Security. Rj: Rokan Ry (Rukfree Sewittes). R: Entre tot one market Postfolio.
F. Rokan Ry (Rikpresent Postolio.
RM : Expected Rol on Market Postfolio. B: Rik associated with ith sewity.
D love 10 D along
B= Cor (Sm) where,
Cov (Sm) = In I (Rs-Rs) (Rm-Rm).
- led tape
1 In August market market melwin and
$\frac{2}{2}$
(i) B>1 = Aggnesine Stare (3) B = 1 Newtral Stare
accurate the to
ERR (Rs) 8 16 -6 10 2 MRR/Rm 10. 12 8 5 -10.
ERR (Re) 8 16 -6 10 2 MRR (Rm) 10. 12 8 5 -10.
Rs Rm (Rs-Rs) (Rm-Rm) (Rm-Rm) (Rm-Rm)
8. 10. 2
$\frac{16}{-6}$ $\frac{12}{8}$ $\frac{70}{-12}$ $\frac{70}{3}$ $\frac{49}{-36}$ $\frac{49}{9}$
10. 5. 4
$\frac{2}{60}$ -4 -15 $\frac{60}{225}$
2104 2308
$R_{s} = \frac{2R_{s}}{h} = \frac{30}{5} = 6.$
$Rm = \frac{12}{2Rm} = \frac{25}{5} = 5$
$\frac{1}{n} = \frac{1}{2} \left(\frac{1}{n} - \frac{1}{n} \right)$
lov (Sm) = In I (Rs-Rs) (Rm-Rm).
= 15 ×104 = 20.80.
6 m = + I (Rm-Rm) 1
0 m - h - (\m \ \m)
= + x308.
= + ×308.
$\beta = \frac{60 \cdot 60}{60 \cdot 60} = 0.34$

as the Value of BCOI, so the nature of investment is defensive The Beta Coefficient of H Ud 5.1.5. The Company has been Meintaining 6%. vate of growth. In dividend and leagnings. The least dividend paid was 78 per Share. Return on. Johan ment Securities 15/21. and the return on market Portfalio 18151. In Current market price of each Chare of the Company 10 2 75. (1) what will be the Equilibrium ferice por share of the Campany? (ii) Would galiaduice pur chasing the Share? We know that, metuon on gout. Leverities 10 a vik free Solution: -Ry= 12.1, B=1.5, Ry=12.1, Rm: 15.1, and Ry=? roturn. Rs= Rt + B(Rm-Rt) = 12.10+ 1.5 (15.10-12010) = 12.1. +4.5.1. = 16.5%. Again, D,= Do (1+9), where -D1 = Covert year's d'vidend. Do = Last year's d'vidend : Re & F. g= growth route of dividend: 0.06. DI= 8(1+0.06) = 8×1.06= 28.48. Now, Ke = D + 9. Ke: Cost of Equity | Ex puted Rate of Return. 16.5 = 8.48. +0.06 or, 0.165-0.06 = 8.48 Hence, the equilibrium briung lach chare to 780.75 .'. P= 80.72. Markethoise of each Share = 275. equilibrium Poile = 7 80.7%. (11) MPCP, So, fre Shares will be Pur Chased.