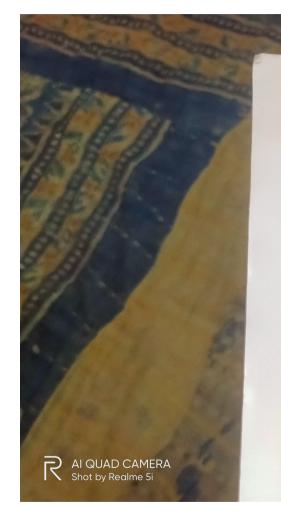## ASSET BETA AND EQUITY BETA

PROBLEM – 2

Equity of KGF Ltd. (KGFL) is ₹ 410 Crores, its debt is worth ₹ 170 Crores. Printer Division segments value is attributable to 74%, which has an Asset Beta (β_p) of 1.45, balance value is applied on Spares and Consumables Division, which has an Asset Beta (β_{sc}) of 1.20, KGFL Debt beta (β_D) is 0.24.

You are required to calculate :

i. Equity Beta (β_E),

ii. Ascertain Equity Beta (β_E). If KGF Ltd. decides to change its Debt Equity position by raising further debt and buying back of equity to have its Debt Equity Ratio at 1.90. Assume that the present Debt Beta (β_{D1}) is 0.35 and any further funds raised by way of Debt will have a Beta (β_{D2}) of 0.40.

iii. Whether the new Equity Beta (β_E) justifies increase in the value of equity on account of leverage?

ICAI May 2019 (Old Scheme)

BETA MANAGEMENT

PROBLEM – 3 H.W

Ms Preeti, a school teacher, after retirement has built up a portfolio of ₹ 1,20,000 which is as follow:

Stock	No of shares	Market price per share (₹)	Beta
ABC Ltd	1000	50	0.9
			1.0