

MAR/APRIL 2022

Total No. of Questions : 5]

SEAT No. :

P6889

[Total No. of Pages : 4

[5860]-311

S.Y. M.B.A.

304-SC-FIN-03-ADVANCED FINANCIAL MANAGEMENT
(2019 Pattern) (Semester - III)



Time : 2½ Hours]

[Max. Marks : 50

Instructions to the candidates:

- 1) All questions are compulsory.
- 2) Each question carry equal marks.
- 3) Use of simple calculator is allowed.
- 4) Working Notes should form your part of answer.

Q1) Answer any 5 out of 8 (2 marks each) :

- a) Define the term 'Financial planning'.
- b) What do you mean by Capitalization?
- c) What is Capital Budgeting?
- d) Define Cash management.
- e) what is Dividend?
- f) Define the term 'Value Based Management.
- g) What is Leverage?
- h) What is Bonus Share?

Q2) Answer any 2 out of 3 (5 marks each) :

- a) Explain the Process of Capital Budgeting.
- b) Discuss the Objectives of Trade Credit.
- c) Distinguish between interim Dividend and Final Dividend.

P.T.O.

Q3) Answer any 1 out of 2 (10 marks each)

- a) Following are the summarized Balance Sheet of Canon Ltd. as on 31st march 2021 and 2022. You are required to prepare a Fund Flow Statement for the year ended 31st March 2022. [10]

Balance Sheet

Liabilities	Amount Rs. 31.3.2021	Amount Rs. 31.3.2022	Assets	Amount Rs. 31.3.2021	Amount Rs. 31.3.2022
Share Capital	4,00,000	5,00,000	Goodwill	-----	10,000
General Reserve	1,00,000	1,20,000	Land and	4,00,000	3,80,000
Profit & Loss A/c	61,000	61,200	Building	3,00,000	3,38,000
Long-term Bank Loan	1,40,000	2,70,400	Plant and	2,00,000	1,48,000
Creditors	3,00,000	-----	Machinery	1,60,000	1,28,400
Provision for Tax	60,000	70,000	Stock	1,000	17,200
			Debtors		
			Cash in Hand		
Total Rs.	10,61,000	10,21,600	Total Rs.	10,61,000	10,21,600

Additional Information :

- Depreciation has written off on Plant and Machinery Rs. 28,000 and on Land and Building Rs. 20,000.
- Provision for Tax was made during the year Rs. 66,000
- A dividend of Rs. 46,000 was paid.

OR

- b) The Balance Sheet and Profit and Loss Account of Pravil Ltd. is given below. (Rs. in millions) [10]

Balance Sheet as on 31.3.2022		Profit and Loss Statement as on 31.3.2022	
Liabilities	Assets		
Equity 600	Fixed Assets 720	Net Sales	1200
Debt 400	Current Assets 280	Cost of Goods Sold	1032
Total Rs.1000	Total Rs. 1000	PBIT	168
		Interest	48
		PBT	120
		Tax (30%)	36
		PAT	84

- cost of Equity 18% and Interest on Debt is 12%.
- Marginal; Tax Rate is 30%.
- Calculate EVA by four different methods.



Q4) Answer any 1 out of 2 (10 marks each)

- a) Atlas Ltd. manufactures dye-cast metallic cars for kids. Its present sale is Rs.60 lakhs per annum with 20 days credit period. The company is contemplating an increase in the credit period with a view to increasing sales. Present variable costs are 70% of sales and the total fixed costs Rs. 8 lakhs per annum. The company expects per-tax return on investment @25%. Some other details are given as under : [10]

Proposed Credit Policy	Average Collection Period	Expected Annual Sales
I	30 days	65
II	40 days	70
III	50 days	74
IV	60 days	75

You are required to advise the company on the policy to be adopted. Assume 360 days in a year. Calculations should be made up to two digits after the decimal.

OR

- b) Prakash Ltd. has the following capital Structure - [10]

Equity Shares of Rs. 10 Each -	Rs. 20,00,000
15% Debentures	Rs. 16,00,000
	Total Rs. 36,00,000

The company is planning to raise additional funds of Rs. 30,00,000 for expansion and modernization. Following four options are available -

- To raise entire amount through Equity Shares of Rs. 10 each.
- To raise entire amount by Term Loan @16%
- to raise 50% amount by Equity Shares of Rs. 10 each and balance by 16% Term Loan
- to raise Rs. 16,00,000 by Equity Shares of Rs. 10 each, Rs. 8,00,000 by 16% Term Loan and balance by 14% Preference Shares.

Assume that Income Tax Rate is 50% and new EBIT is Rs. 16,00,000. Advise the company regarding selection of Capital Structure on the basis of EPS.

Q5) a) Answer any 1 out of 2 (10 marks each) :

Project	Initial Investment Required (Rs.)	NPV at the appropriate Cost of Capital (Rs.)
A	2,00,000	40,000
B	6,00,000	70,000
C	1,00,000	32,000
D	4,00,000	50,000
E	2,00,000	60,000

Total funds available Rs. 6,00,000. Determine the best combination of project assuming that the projects are divisible. [10]

OR

b) Apple Incorporation belongs to a risk class of which the appropriate Capitalization Rate is 10%. It currently has 1,00,000 shares of Rs. 100 each. The company is considering declaration of dividend Rs. 12 per share at the end of the current year. You are required to answer the following questions based on M-M Model. [10]

- What will be the price of shares at the end of the year if a dividend is not declared?
- What will be the price if dividend is declared?
- Assuming that the company pays dividend, has Net Income of Rs. 20,00,000 and makes new investments of Rs. 40,00,000 during the period, how many new shares must be issued?

