

OCT NOV-2022

Total No. of Questions : 5]

SEAT No. :

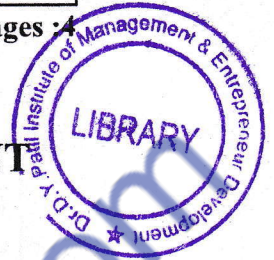
PA-3661

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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 five questions.

[10]

- a) Define 'Venture Capital'.
- b) Define 'optimum capital structure
- c) What is the prime assumption of the net operating income approach?
- d) Explain the term 'capital rationing'.
- e) What is meant by scenario analysis?
- f) What is meant by holding cash for transaction motive?
- g) What is meant by treasury Bills?
- h) What is meant by stability of Dividends?

Q2) Write short notes on any two of the following:

[10]

- a) Sensitivity Analysis.
- b) Miller and Orr Model for Cash Management.
- c) Dividend Decision and Value of a Firm.

P.T.O.



Q3) a) From the following balance sheets as on 31st March 2021 and 31st March 2022 of Prakash Ltd. you are required to prepare funds flow statement. [10]

Liabilities	31-3-2021 (Rs.)	31-3-2022 (Rs.)	Assets	31-3-2021 (Rs.)	31-3-2022 (Rs.)
Equity capital	4,50,000	5,00,000	Land & Building	3,00,000	2,60,000
General Reserve	40,000	70,000	Plant	95,000	2,00,000
Profit and Loss A/c	30,000	48,000	Debtors	1,60,000	2,00,000
Proposed Dividend	42,000	50,000	Stock	97,000	1,39,000
Creditors	55,000	83,000	Cash in hand	15,000	10,000
Bills payable	25,000	16,000	Cash at bank	15,000	8,000
Provision for Taxation	40,000	50,000			
	6,82,000	8,17,000		6,82,000	8,17,000

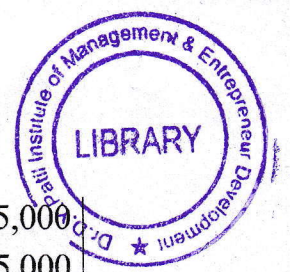
Following additional information is provided.

- Depreciation has been charged on land and building Rs. 40,000 and on plant Rs. 10,000.
- Dividend of 2020-21 was paid fully during the year 2021-22.
- Income tax paid during the year 2021-22 is Rs. 35,000.

OR

- From the following summary cash account of XYZ Ltd. prepare the cash flow statement for the year ended 31st March 2022 using the direct method. [10]
- Summary Cash Account for the ended 31-03-2022.

Balance on 01-04-2021	5,000	Payment of suppliers	2,00,000
Issue of equity shares	30,000	Purchase of fixed assets	20,000
Receipts from customers	2,80,000	Overhead expense	20,000
Sale of fixed assets	10,000	Wages and salaries	10,000



Issue of debentures	20,000	Taxation	25,000
		Dividend	5,000
		Interest on debentures	1,000
		Repayment of bank loan	30,000
		Balance on 31-03-2022	34,000
	3,45,000		3,45,000

Q4) a) ABC Ltd. had a capital structure of Rs. 5 Lakhs consisting of equity shares of Rs.10/- each. The company was into the business of manufacturing stationery. The company is thinking of starting a new product line. For this it is going to need Rs. 10 Lakhs more. The EBIT of the company is Rs. 8 Lakhs and income tax rate is 50% compute EPS under each of the following alternatives .

- i) To raise the entire amount of additional funds by floating equity shares of Rs. 10 each.
- ii) To raise 50% of the amount by way of equity share capital of Rs. 10 per share and 50% by way of debt carrying interest of 10%
- iii) To raise the entire amount by way of debt carrying interest of 10%. [10]

OR

b) Vasundhara Ltd. earned a profit of Rs. 45,00,000 before providing for interest and tax. The capital structure of the company is as follows: [10]

- i) 10,00,000 Equity Shares of Rs. 10 each and its market capitalization rate is 15%.
- ii) The company has 30,000 debentures of Rs. 200 each carrying 12% interest rate.

Calculate the value of the company under 'Net income Approach'. Also compute the overall cost of capital of the company.

- Q5) a) Genius sports Co. Dealing in sports equipment, have an annual sales of Rs. 55 Lakh and are currently extending 30 days credit to the dealers. Management of the firm felt that sales can pickup considerably if the firm changes its credit policy. Hence, the management of the firm is considering various alternatives to change the credit policy. Following are icy as follows:

The average collection period now is 30 days.

Costs : Variable costs 80% of the sales.

Bad-debts-0.5%.

Fixed cost-Rs. 5,00,000 per annum.

Required rate of return-20%

Credit Policy	Average collection	Bad-debts % to sales	Annual Sales Rs.
A	45 days	0.75%	62 Lakh
B	60 days	1.00%	65 Lakh

Determine which policy firm should adopt? [10]

OR

- b) The following information is available in respect of a firm:

Capitalisation Rate (K_e) = 10%

Earning per Share (E) = Rs.10

Compute the market price of a shares as per walter's model.

Assume rate of return on investments (r) : 15%

Options of adopting a Dividend payout Ratio:

- 25%
- 50%
- 75%

[10]

