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SEAT No. :

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M.B.A.

**304 FIN SC - FIN-03 : ADVANCED FINANCIAL
MANAGEMENT**

(Revised 2019 Pattern) (Semester - III)

Time : 2½ Hours]

[Max. Marks : 50

Instructions to the candidates:

- 1) *All questions are compulsory.*
- 2) *Each questions has an internal options.*

Q1) Attempt any Five questions :

[5 × 2 = 10]

- a) State any two reasons of financial planning.
- b) Explain merger.
- c) What is meant by stock split.
- d) List out two factors influencing dividend policy.
- e) What is meant by treasury bill.
- f) What is factoring in receivable management.
- g) What is meant by transaction motive in cash management
- h) List out any four theories of capital structure.

Q2) Attempt any two

[2 × 5 = 10]

- a) Discuss the importance of working capital management in company's day to day operations.
- b) Explain the factors affecting capital structure decisions.
- c) Explain the term 'cash' and discuss the various motives for holding cash.

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Q3) Solve any one**[1 × 10 = 10]**

- a) From the following Balance sheet of PQR Ltd, you are required to prepare Fund flow statement.

Liabilities	2022 Rs	2023 Rs	Assets	2022	2023
Equity share capital	4,50,000	4,50,000	Fixed Assets	4,00,000	3,20,000
General Reserve	3,00,000	3,10,000	Long term investment	50,000	60,000
P & LA/c	56,000	68,000	Stock	2,40,000	2,10,000
Creditors	1,68,000	1,34,000	Debtors	2,10,000	4,55,000
Provision for taxation	75,000	10,000	Bank	1,49,000	1,97,000
Mortgaged Loan	-	2,70,000			
Total	10,49,000	12,42,000	Total	10,49,000	12,42,000

Additional Information -

- Investments costing Rs 8,000 were sold during the year 2023 for Rs 8500/-
- Provision for taxation made during the year Rs 9000/-
- During the year, part of fixed assets having book value of Rs 10,000 was sold for Rs 12,000/-
- Dividend paid during the year was Rs 40,000.

OR

- b) From the following information of Zee Ltd, prepare cash from operations & cash flow statements.

Liabilities	2022	2023	Assets	2022	2023
Share capital	1,25,000	1,53,000	Buildings	35,000	60,000
Bank Loan	40,000	50,000	Land	40,000	50,000
Other long term Secured loans	25,000	-	Machinery	80,000	55,000
Creditors	40,000	44,000	Stock	35,000	25,000
			Debtors	30,000	50,000
			Cash	10,000	7,000
	2,30,000	2,47,000		2,30,000	2,47,000

Additional Information :

- During the year a machine costing Rs 10,000 (accumulated depreciation Rs 3000) was sold for Rs 5000
- The provision for depreciation against machinery during the year 2022 was Rs 25,000 & Rs 40,000 in 2023
- Net profit earned during the year 2022 was the Rs 45,000

Q4) Attempt any one

[1 × 10 = 10]

- a) A company's expected net operating income (EBIT) is Rs 50,000 the company has RS 2,00,000, 10% debentures. The equity capitalization rate (ke) of the company is 12.5% calculate the total value of the firm and equity capitalization rate using net operating income approach.

OR

- b) Following is the capital structure (existing) of pro. Ltd.

Particulars	Amount (Rs)
Equity shares of Rs 10 each	10,00,000
15% debentures	8,00,000

The company is planning to raise an additional funds or capital of Rs 15,00,000,.

For expansion following four options are available.

Options 1 : To raise entire amount through equity shares of Rs 10 each.

Options 2 : To raise entire amount by term loan @ 16%

Options 3 : To raise 50% amount by equity shares of Rs 10 each and balance by by 16% term loan.

Options 4 : To raise 8,00,000 by equity shares of Rs 10 each, Plus 4,00,000 by 16% term loan & balance by 14% preference capital

Assume that income tax rate is 50% and revised EBIT is Rs 8,00,000
Advice the company regarding selection of best suitable option on the basis of EPS.

Q5) Attempt any one

[1 × 10 = 10]

- a) Poonawalla Ltd has current sales of Rs 20 Lakhs per year. Its cost of sales is 70% of sales and bad debts are 1% of sales. Cost of sales comprise 80% variable cost & 20% fixed cost while its required rate of return is 10%. The company allows customers 30 days credit but is considering increasing this to 60 days credit in order to increase sales. It has been estimated that this change in policy will increase sales by 20%, while bad debts will increase from 1% to 3%. It is not expected that the policy change will result in an increase in fixed costs and creditors and stock will also remain uncharged should Poonawalla Ltd introduce the proposed policy (Assume 360 days in a year).

- b) A company had 50,000 equity shares of Rs 10 each. on 1st Jan the shares are currently being quoted at has in the market for removing dividend restraint, the company now intends to pay dividend of Rs 2 per share for the current calendar year. It belongs to a risk class whose appropriate capitalization rate is 15% using MM model & assuming these are no taxes calculate.
- Price per share when dividend is paid and when dividend is not paid
 - Number of equity shares to be issued if dividend is paid assuming that company needs investment of Rs 2,00,000 and net income of Rs 1,10,000.

