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PD2715

SEAT No. :

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[6430]-51

S.Y.M.B.A.

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

Time : 2½ Hours]

[Max. Marks : 50

Instructions to the candidates:

- 1) *Answer all questions.*
- 2) *Figures to the right indicate full marks.*
- 3) *Use of electronic calculator is allowed.*
- 4) *Assume suitable data, if necessary.*

Q1) Solve any five.

[10]

- a) State any two financial Distress predictors.
- b) State any two objectives of cash flow.
- c) List any two Real life examples on corporate Restructuring.
- d) Give any two reasons for acquiring a company.
- e) What do you mean by portfolio restructuring?
- f) What is Signaling theory in capital structure?
- g) State any two cash management models.
- h) What are the two objectives of share buyback.

Q2) Solve any Two

[10]

- a) What is LBO? Explain its advantages.
- b) Define Dividend policy & what are the factors affecting it?
- c) Explain in detail any two strategies for managing surplus funds.

P.T.O.

Q3) a) From the following balance sheet of Raghav Co.ltd. prepare fund flow statement. **[10]**

Liabilities	31-03-2022	31-03-2023	Assets	31-03-2022	31-03-2023
	₹	₹		₹	₹
Equity share capital	6,00,000	8,00,000	Goodwill	2,30,000	1,80,000
Pref.Capital	3,00,000	2,00,000	Land & Building	4,00,000	3,40,000
General Reserve	80,000	1,40,000	Plant & machinery	1,60,000	4,00,000
Profit & Loss A/c	60,000	96,000	Debtors	3,20,000	4,00,000
Proposed Dividend	84,000	1,00,000	Stock	1,54,000	2,18,000
Creditors	1,10,000	1,66,000	Bills Receivables	40,000	60,000
Bills payable	40,000	32,000	Cash	30,000	20,000
Tax provision	80,000	1,00,000	Bank	20,000	16,000
	13,54,000	16,34,000		13,54,000	16,34,000

Additional Information

- Proposed Dividend made during 2022 has been paid during 2023.
- Depreciation ₹40,000 on land & Building & ₹20,000 on plant & machinery.
- Interim Dividend has been Paid ₹40,000.
- Income tax ₹70,000 has been paid during 2023.

OR

- b) The summary of cash transactions extracted from the books of Rahul ltd. ₹('000) [10]

Balance as on 1 st April 2022	140
Receipts from customers	11,132
Issue of shares	1,200
Sale of fixed Assets	512
	12,984
Payment to suppliers	8188
Payment for fixed Assets	920
Payment for overheads	460
Wages and Salaries	276
Taxation	972
Dividends	320
Repayment of Bank loans	1,000
	12,136
Balance as on 31 st march 2023	848

You are required to prepare a cash flow statement of the company for the period ended 31st march 2023.

- Q4) a)** Atharva Ltd. has currently an ordinary equity share capital of ₹50,00,000 consisting of equity shares of ₹100 each. The company is planning to raise another ₹20,00,000 for their major expansion program. Following four options are available. [10]

- Entirely through ordinary equity shares of ₹100 each.
- ₹10,00,000 through ordinary equity shares of ₹100 each and balance @ 15% Term Loan.
- ₹5,00,000 through ordinary equity shares of ₹100 each and ₹15,00,000 @ 15% Term Loan.
- ₹10,00,000 through ordinary equity shares of ₹100 each and ₹10,00,000 through 14% preference shares.

Assume that Income Tax rate is 40% and expected EBIT is ₹8,00,000 calculate EPS and advise beneficial option to the company.

OR

- b) Raj Ltd. earned a profit of ₹10,00,000 before providing for Interest and Tax. The company's capital structure is as follows . [10]

- i) The overall capitalization rate of the company is 15%.
- ii) 20,000, 13% secured Redeemable Debentures of ₹100 each.

You are required calculate the value of the company under "Net operating Income Approach". Also calculate overall cost of capital of the company.

- Q5) a) Ambika toys Manufacturers dye cast metallic cars for kids. Its present sale is ₹60,00,000 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 of ₹8,00,000 per annum. The company expects Pre-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	65,00,000
II	40 days	70,00,000

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 digit after decimal.

OR

- b) i) Calculate market price of share using walter model from the following information
- Rate of return on Investment 10%
 - Capitalization Rate 8%
 - Earning per share ₹5
 - Dividend per share ₹4
- ii) From the following information relating to a company, determine the market price of a share using gordon's model.
- Total Investment in assets ₹10,00,000
 - No. of shares 50,000
 - Total earnings ₹2,00,000
 - Cost of capital 16%
 - Payout ratio 40%

[10]

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