

Total No. of Questions : 5]

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S.Y.M.B.A.

SEAT No. : []

[Total No. of Pages : 4

304 - SC - FIN-03 : ADVANCED FINANCIAL MANAGEMENT

(2019 Revised Pattern) (Semester- III)

Time : 2½ Hours]

[Max. Marks : 50

Instructions to the candidates:

- 1) All questions are compulsory.
- 2) Figures to the right indicate full marks.

Q1) Answer any Five questions:

[5×2=10]

- a) List out any four Long Term Sources of finance.
- b) What do you mean by stable Dividend Policy?
- c) What are the main parts of cashflow statement?
- d) What do you mean by Merger?
- e) What is Factoring in Receivables Management?
- f) What do mean by Buy back of shares?
- g) List out any four theories of capital structure.
- h) List out any four factors influencing dividend policy.

Q2) Solve any Two.

[2×5=10]

- a) Explain the term 'cash' and explain in brief various motives for holding cash.
- b) Discuss different types of mergers.
- c) Distinguish between Bonus share and Stock split.

P.T.O.

Q3) Solve any one:

[1×10=10]

From the following balance sheets of PQR Ltd., you are required to prepare Funds Flow statement.

Liabilities	2022 Rs.	2023 Rs.	Assets	2022 Rs.	2023 Rs.
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 & L Account	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. 8,500/-.
- Provision for Taxation made during the year Rs. 9,000.
- During year part of Fixed assets having book value Rs. 10,000 was sold for Rs. 12,000.
- Dividend paid during the year was Rs. 40,000.

OR

From the following summary cash account of K Ltd., prepare cash flow statement for the year ended 31st March 2023 using the direct method. (The company does not have any cash equivalents.)

Summary Cash Account

(For the year ended 31st March 2023)

	Rs. (In Thousands)		Rs. (In Thousands)
Opening balance	50	Payment to suppliers	2,000
Issue of Equity Shares	300	Purchase of fixed assets	200
Receipts from customers	2,800	Overhead expenses	200
Sale of Fixed Assets	100	Wages and salaries	100
		Taxation	250
		Dividend	50
		Repayment of Bank loan	300
		Closing balance	150
	3,250		3,250

Q4) Solve any one:

[1×10=10]

- a) Following is the capital structure (existing) of Pro. Ltd.

Particulars	Rs.
Equity shares of Rs. 10, each	10,00,000
15% Debentures	8,00,000
Total	<u>18,00,000</u>

The company is planning to raise on additional funds or capital of Rs. 15,00,000 for expansion. Following four options are available:

- Option 1 = To raise entire amount through equity shares of Rs. 10 each.
- Option 2 = To raise entire amount by term loan @16%.
- Option 3 = To raise 50% amount by equity shares of Rs. 10 each and balance by 16% term loan.
- Option 4 = To raise Rs. 8,00,000 by equity shares of Rs. 10 each, plus Rs. 4,00,000 by 16% term loan and balance by 14% preference capital.

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

OR

- b) i) A company expects a net income of Rs. 80,000/-. It has Rs. 2,00,000 - 8% Debentures. The equity capitalization rate of company is 10% calculate the value of the firm and overall capitalization rate according to Net Income approach (ignoring income - tax). [5]
- ii) B Ltd. has EBIT of Rs. 2,00,000. The cost of debt is 10% and the out standing debt amounts to Rs. 8,00,000. Assuming the overall capitalization rate is 12.5% calculate total value of the firm and equity capitalization rate. [5]

Q5) Solve any 1:

[1×10=10]

A company had 50,000 equity shares of Rs. 10 each. On 1st Jan. the shares are currently being quoted at par 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 and assuming there 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.

OR

ABC Ltd. has current sales of Rs. 30,00,000/- per year. Cost of sales is 75% of sales and Bad debts are 1% of sales cost of sales comprises of 80% variable cost and 20% fixed cost, while the company's required rate of return is 12%. Company allows customers 30 day's credit but is thinking to increase this to 60 day's credit for increasing sales. It has been estimated that this change in policy will increase sales by 15% while bad debts will increase from 1% to 4%. It is not expected that policy change will result in an increase in fixed costs and creditors and stock will remain unchanged. Should company introduce live proposed policy?

(Assume 360 days year)

(Give solution as per cash cost method)

Total No. of Questions : 5]

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PB-2084

[Total No. of Pages : 4

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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.

P.T.O.

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	25,000	-	Machinery	80,000	55,000
Secured loans			Stock	35,000	25,000
Creditors	40,000	44,000	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 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 unchanged 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.
- i) Price per share when dividend is paid and when dividend is not paid
 - ii) 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.



Total No. of Questions : 5]

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[Total No. of Pages : 4

[6118]-3010

S.Y. M.B.A.

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

Time : 2½ Hours]

[Max. Marks : 50

Instructions to the candidates :

- 1) *All questions are compulsory.*
- 2) *Figures to the right indicate full marks.*

Q1) Solve any five :

[5 × 2 = 10]

- a) What are the components of cash-flow statements?
- b) Give any two reasons for companies to merge.
- c) What is trade-off theory in capital structure?
- d) Which two factors influence Dividend policy.
- e) What do you mean by portfolio restructuring?
- f) What are the two objectives of share buyback?
- g) State any two cash management models.
- h) State any two financial distress predictors.

Q2) Solve any two :

[2 × 5 = 10]

- a) What is LBO? Explain its advantages?
- b) Explain in detail role of Factoring in receivables management.
- c) Define Dividend policy & what are the factors affecting it.

P.T.O.

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

Liabilities	2021 (Rs.)	2022 (Rs.)	Assets	2021 (Rs.)	2022 (Rs.)
Equity share capital	3,00,000	4,00,000	Goodwill	1,15,000	90,000
Redeemable preference	1,50,000	1,00,000	Land & Building	2,00,000	1,70,000
Share capital					
General Reserve	40,000	70,000	Plant	80,000	2,00,000
Profit & Loss	30,000	48,000	Debtors	1,60,000	2,00,000
Proposed dividend	42,000	50,000	Stock	77,000	1,09,000
Creditors	55,000	83,000	Bills Receivable	20,000	30,000
Bills payable	20,000	16,000	Cash in hand	15,000	10,000
Provision for taxation	40,000	50,000	Cash at bank	10,000	8,000
	6,77,000	8,17,000		6,77,000	8,17,000

Additional information :

- Depreciation of Rs. 10,000 & Rs. 20,000 have been charged on plant and Land & Building respectively in 2022.
- A dividend of Rs. 20,000 has been paid in 2022.
- Income tax of Rs. 35,000 has been paid during 2022.

OR

- Following information is available from the books of paramount Ltd. for the year ended 31st March 2022 :
 - Total sales for the year was Rs. 14,00,000.
 - Cash sales for the year was Rs. 12,00,000.
 - Rs. 8,50,000 were collected during the year from debtors.
 - Salary of Rs. 1,50,000 remained outstanding during the year.
 - Company paid Rs. 9,60,000 to its creditors.
 - During the year, company paid income-tax to the tune of Rs. 75,000.

Prepare cash from operating activities using direct method.

- ii) Calculate EVA from the following information for the year ended 31st March, 2023.

Particulars	Amount (Rs.)
Average Debt	1500
Average Equity	28,660
Profit after tax before exceptional items	16,410
Interest after taxes	50
Cost of debt (Post tax)	7.72%
Cost of Equity	16.70%
Weighted Average Cost of Capital (WACC)	11.5%

- Q4) a)** ABC Ltd. has a share capital of Rs. 1,00,000 divided into shares of Rs. 10 each. It has a major expansion program requiring an investment of another Rs. 50,000. The management is considering following alternatives for raising this amount : **[10]**

- Issue of 5,000 equity shares of Rs. 10 each
- Issue of 5,000 12% preference shares of Rs. 10 each.
- Issue of 10% debentures of Rs. 50,000

The company present Earning Before Interest & Tax (EBIT) are Rs. 40,000 per annum subject to tax @ 50%.

You are required to calculate the effect of the above financial plan on the earning per share when :

- i) EBIT continues to be the same even after expansion.
- ii) EBIT increases by Rs. 10,000.

OR

- b) i) An organization expects a net income of Rs. 1,00,000. It has Rs. 1,50,000, 10% debentures. The equity capitalization rate of the company is 12%. Calculate the value of the firm and overall capitalization rate according to the Net Income Approach (ignoring income-tax).
- ii) If the debenture debt increased to Rs. 2,00,000, what shall be the value of the firm and the overall capitalization rate.

- Q5) a) From the following information supplied to you, determine the market value or equity shares of a company as per Walter's Model : [10]

Earnings of the company	Rs. 5,00,000
Dividend paid	Rs. 3,00,000
Number of shares outstanding	1,00,000
Price-earning ratio	8
Rate of return on investment	15%

Are you satisfied with the current dividend policy of the firm? If not, what should be the optimal dividend pay-out ratio in this case.

OR

- b) S3 Ltd. has present Annual sales of 20,000 units at Rs. 150 per unit. The variable cost is Rs. 100 per unit and the fixed cost is Rs. 1,50,000 p.a. The present credit period allowed by company is 1 month. The company is considering a proposal to increase the credit period to 2 months and 3 months and has made following forecasts :

Credit Policy	Existing Policy	Proposed Policy	
	1 month	2 months	3 months
Increase in Sales	—	15%	30%
% of bad debts	1%	3%	5%

There will be increase in fixed cost by Rs. 25,000 on account of increase of sales beyond 25% of present level. The company plans on a pre-tax return of 20% on investment in receivables. You are required to calculate the most beneficial credit policy for the company. Assume cash cost method for finding out investment in Debtors & receivables.

