

M.B.A. (CBCS Pattern) Semester - III
PCB3EB1 - Advanced Financial Management

P. Pages : 2

Time : Three Hours



GUG/S/23/10696

Max. Marks : 70

- Notes :
1. Attempt **any five** questions.
 2. All questions carry equal marks.
 3. Use PVF Table.

1. Explain the NI and NOI Approach of capital structure with an example.
2. What are the basic steps are involved in the credit investigation process?
3. What are the features of private equity? Explain its advantages and disadvantages?
4. Explain Balance Score Card with its four perspective in details.
5. Write a short note on **any two**.
 - i) Miller Model
 - ii) Hundis
 - iii) The concept of merger and its types.
 - iv) Market value added method.
6. Calculate the level of earning before int & tax at which the EPS indifference point between the following financial alternative will occur.
 - i) Equity share capital of Rs. 6,00,000/- and 12% debenture of Rs. 4,00,000/-
 - ii) Equity share capital of Rs. 4,00,000, 14% preference share capital of Rs. 2,00,000/- & 12% debenture of Rs. 4,00,000
Assume the corporate tax rate is 35% and par value of equity share Rs. 10/- in each case.
7. ABC firm is considering to make certain relaxation in credit policy, ABC management has evaluated two new policies.

Annual credit sales at present Rs. 8.75 lakhs. Proposed credit sales under I-Rs. 105 lakhs and under - II Rs. 118 lakhs. Account receivable turnover ratio & bad debts losses are as follows.

Existing	Alternative - I	Alternative - II
7 Times	5.25 times	4.2 times
Rs. 2.63 lakhs	Rs. 5.25 lakhs	Rs. 7.88 lakhs

Advice the ABC management which policy has to be adopted if rate of return 30% & P/V Ratio is 30%.

8. Rishabh Ltd. is faced with a decision to purchase or acquire on lease a mini car. The cost of the mini car is Rs. 1,26,965. It has a life of 5 years. The mini car can be obtained on lease by paying equal lease rentals annually. The leasing company desires a return of 10% on the gross value of the asset.

Rishabh Ltd. can also obtain 100% finance from its regular banking channel. The rate of interest will be 15% p.a. and the loan will be paid in five (5) annual equal instalments, inclusive of interest. The effective tax rate of the company is 40%, for the purpose of taxation it is to be assumed that the asset will be written off over a period of 5 years on a straight line basis.

- Advise Rishabh Ltd. about the method of acquiring car.
- What should be the annual lease rental to be charged by the leasing company to match the loan option?

For your exercise, use the following discount factor.

Discount Rate	Years				
	1	2	3	4	5
10%	0.91	0.83	0.75	0.68	0.62
15%	0.87	0.76	0.66	0.57	0.49
9%	0.92	0.84	0.77	0.71	0.65

Assumption: -

Loan installment is paid at the beginning of the year at par with lease Rentals.

9. Daily demand for pieces of bread at a grocery store is given by the following probability distribution.

Daily Demand: 100, 150, 200, 250, 300

Probability : 0.20, 0.25, 0.30, 0.15, 0.10

If a piece of bread is not sold the same day. It can be disposed off at 15 paisa per piece at the end of the day, otherwise the price of a fresh piece is 49 paisa. The cost / piece to the store is 25 paisa. If the optimum level of stocking is 200 pieces of the bread daily. Find

- The Expected Monetary Value of this optimum stock level (EMV)
- Expected Value of Perfect Information (EVPI)

10. A ltd wants to acquire P ltd. and has offered a swap ratio of 1:2 (0.5 shares for everyone share of P Ltd.)

Following information is provided.

Particulars	A Ltd.	P Ltd.
PAT	1800000	360000
Equity Share O/s	600000	180000
EPS	₹3	₹2
P/E Ratio	10 times	7 times

Calculate: -

- The no. of equity share to be issued by A. Ltd. for acquisition of P ltd.
- What is the EPS of A ltd. after the acquisition.
- Determine the equivalent EPS of P Ltd.
- What is the expected MPS of A ltd after the acquisition assuming P/E remains unchanged.
- Determine the market value of the merged firm.
