

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

P. Pages : 2

Time : Three Hours



GUG/W/22/10696

Max. Marks : 70

- Notes :
1. Attempt **any five** questions.
 2. All questions carry equal marks.
 3. Use present value factor table.

1. Calculate the level of earnings before interest and tax (EBIT) at which the Eps indifference point between the following financing alternatives will occur. **14**

- i) Equity share capital of ₹ 6,00,000
and 12% debenture of ₹ 4,00,000
- ii) Equity share capital of ₹ 4,00,000,
14% pref. share capital of ₹ 2,00,000
and 12% debenture of ₹ 4,00,000

Assume the corporate tax rate is 35% and par value of equity share is ₹ 10 in each case.

2. X Ltd currently has an annual turnover of ₹ 20 Lacks and an average collection period of 4 week. The company proposes to introduce a more liberal credit policy which they hope will generate additional sales as shown below. **14**

Proposed credit policy	Increases in collection period (Weeks)	Sales ₹	% of default
A	2	20,000	2%
B	4	2,50,000	3%
C	6	3,50,000	5%
D	8	5,00,000	8%

The selling price of product is ₹ 10. and p/v Ratio is 30%. the current bad debt loss is 1% and desired rate of return on investment is 20%. For the purpose of calculation a year is to be taken to comprise of 50 weeks Indicate which of the above policies you would recommend the company to adopt.

3. A person wishing to take an lease an office premises, has been given two options by the landlord. The options are. **14**

- Option – I – Lease period 18 years. Non refundable deposit of ₹ 2,00,000 payable at the end of year 1. A yearly rent of ₹ 60,000 to be increased by 10% in 5 year, 10 year and 15 year tenancy.
- Option – II - A yearly rent of ₹ 1,00,800 to be increased by 10% in year 5, year 10 & year 15 tenancy. Lease period 18 years.

The rate of discount is 18% You are required to give your views on the alternatives from the point of view of the tenant.

(Take 6 digit value of PVF)

4.	The financial controller of S. S Ltd has drawn the following projection with probability distributions.					14
	Wages & salaries (₹ 000)	10-12	12-14	14-16		
	Probability	0.3	0.5	0.2		
	Raw material (₹ 000)	6 - 8	8-10	10-12	12-14	
	Probability	0.2	0.3	0.3	0.2	
	Sales Revenue (₹ 000)	30-34	34-38	38-42	42-46	
	Probability	0.1	0.3	0.4	0.6	

You are required simulating the cash flow. Projection and expected cash balance at the end of six month. When the fixed cost is ₹ 14,000.

Use following Random No:-

Wages & salaries :	2	7	9	2	9	8
Raw Materials :	4	4	1	0	3	4
Sales Revenue :	0	6	6	8	0	2

5.	Following is the condensed income statement of the firm for the current year.					14
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Particular	Amount (₹ in lakhs)
Sales Revenue	500
(-) operating cost	300
(-) Interest cost	12
Earning before tax	188
(-) Tax (40%)	75.2
EAT	112.8

The firm existing capital consists of ₹ 150 Lakhs equity funds, having 15% cost and of ₹ 100 lakhs 12% debt. Determine the economic value added during the year.

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| 6. | Explain balance scorecard with its four perspectives in detail. | 14 |
| 7. | Explain the methods of valuation of business. | 14 |
| 8. | What are marketable securities? What are the reasons of holding marketable securities? What factor should be considered while choosing the securities? | 14 |
| 9. | Describe the Mix Theory of capital structure with taxation and without taxation. Also discuss the criticism of MM Hypothesis. | 14 |
| 10. | Write a short note on any two .
a) Venture capital.
b) The Beranek model.
c) Parta system.
d) Project selection under risk. | 14 |
