

Seat No: \_\_\_\_\_

Enrollment No: \_\_\_\_\_

**PARUL UNIVERSITY**  
**FACULTY OF MANAGEMENT**  
**BBA MID-SEM Winter 2019-20 Examination**

Semester: 6  
 Subject Code: 06101387  
 Subject Name: Advance Financial Management-II

Date: 06/03/2019  
 Times: 2hr:00min  
 Total Marks: 40

**Instructions**

1. All questions are compulsory.
2. Figures to the right indicate full marks.
3. Make suitable assumptions wherever necessary.
4. Start new question on new page.

**Q.1 A) Multiple Choice Question(MCQ)(Each of 1 mark):** [03]

1. Net Income Approach given by...

- |                 |                  |
|-----------------|------------------|
| A) David Durand | C) Ezra Soloman  |
| B) Modigliani   | D) None of these |

2. Which of the following is not the disadvantage of NPV?

- |                        |                              |
|------------------------|------------------------------|
| A) Time value of Money | C) Maximum Welfare           |
| B) Understanding       | D) Comparison of two project |

3. What do you mean by Corporate Restructuring?

- |                               |                  |
|-------------------------------|------------------|
| A) Financial Restructuring    | C) A & B Both    |
| B) Organization Restructuring | D) None of these |

**B) Define the following term. (Each of 1 mark):** [03]

1. Merger and Acquisition
2. NOI Approach
3. Holding Company

**C) Direct Questions. (Each of 1 Mark):** [04]

1. What is the meaning of MBO and MBI?
2. Explain the meaning of capital structure.
3. What do you mean by NI Approach?
4. Explain Equity curve out.

**Q.2 Answer the following questions.**

(a) Explain capital structures in details and various factors for determining capital structure. [07]

(b) The following data relate to the company A and B, which are homogeneous group: [08]

	Company A	Company B
Net Operating Income	Rs. 200,000	Rs. 200,000
Overall Cost of Capital	12.5%	12.5%
8% Debenture	Rs. 8,00,000	Nil

**Calculate:**

1. Value of the companies under NOI and cost of equity capital
2. Determine the value of firm under traditional approach assuming cost of equity capital for company A is 14% and for Company B is 11%

**Q.3 Answer the following questions. (Any Two):**

**[15]**

(a) Explain the meaning of corporate restructuring and reasons for corporate restructuring

(b) A company is considering an investment proposal to install a new machine. This project will cost Rs. 1,00,000 and will have 5 years life with 20,000 salvage value on 5<sup>th</sup> year. The cost of fund is 10%. The company follows straight line method of depreciation. The earnings before depreciation and tax as follows:

Year	1	2	3	4	5
Cash Flow	20000	22000	28000	30000	50000
PVF @ 10%	0.909	0.826	0.751	0.683	0.621

(c) Machine A costs Rs. 1,00,000 payable immediately. Machine B costs Rs. 1,20,000 half payable immediately and half payable in one year's time. The cash receipts expected are as follows:

Year (at the end)	A	B
1	20,000	--
2	60,000	60,000
3	40,000	60,000
4	30,000	80,000
5	20,000	--

With 10% interest which machine should be selected? Why?

\*\*\*\*\*All The Best\*\*\*\*\*