

PARUL UNIVERSITY
FACULTY OF COMMERCE
M.Com (Hons) Winter 2019 – 20 Examination

Semester:3

Subject Code:16201201

Subject Name: Advanced Financial Management

Date:20/11/2019

Time:10:30 am to 01:00 pm

Total Marks: 60

Instructions:

1. Attempt all questions as directed.
2. Figures to the right indicate full marks.
3. Make suitable assumptions wherever necessary.

Q.1 (A) Answer the following MCQs. (1 mark each. All Compulsory)**(06)**

1. The Internal Rate of Return (IRR) is determined where
 - A. The Net Present Value is positive
 - B. The Net Present Value is negative
 - C. The Net Present Value is zero
 - D. None of the above
2. Working capital refers to the capital mobilised for meeting
 - A. Long-term financial needs of the company
 - B. To meet day-to-day financial obligations of the company
 - C. To meet the future financial requirements of the company
 - D. None of the above
3. In mutually exclusive projects, project which is selected for comparison with others must have
 - A. Higher net present value
 - B. Lower net present value
 - C. Zero net present value
 - D. All of the above
4. In primary markets, first time issued shares to be publicly traded, in stock markets is considered as
 - A. Traded offering
 - B. Public markets
 - C. Issuance offering
 - D. Initial public offering
5. The formula used to calculate current ratio is
 - A. Current assets / Current liabilities
 - B. Current liabilities / Current assets
 - C. Inventory / Current liabilities
 - D. Current liabilities / Inventory
6. The return which the company pays on borrowed funds is termed as
 - A. Dividend
 - B. Interest
 - C. Bonus
 - D. All of the above

(B) Define the terms. (1 mark each. All Compulsory)

1. Dividend
2. Profit Maximization
3. Gross Operating Cycle
4. Accounting Rate of Return
5. Future Value
6. Bond

(06)**Q.2 Answer the following. (4 mark each. All Compulsory)****(12)**

1. Discuss Conflict In Profit Versus Wealth Maximization Objective?
2. Define Financial Management. Discuss the Financial Decisions in Details.
3. Leas v/s Hire Purchase

Q.3 Answer the following. (6 mark each. Any Three out of Four)**(18)**

1. Define Capital Budgeting. Discuss the different DCF & Non DCF Methods of Investment Decision evaluation.
2. Define Dividend Decisions. Discuss the Walter's Dividend Relevance models with its assumptions and criticisms.
3. What is the present value of a 4-year annuity, if the annual interest is 5%, and the annual payment is \$1,000?
4. A Company earns Rs 10 per share at an internal rate of 15 %. The firm has a policy of paying 40 per cent of earning as dividend. If the required rate of returns is 10 per cent, determine the price of the share under
 - (a) Walter's model
 - (b) Gordon's model

Q.4 Answer the following. (9 mark each. Any Two out of Three)**(9+9)****(18)**

1. Define Working Capital Management. Briefly explain the factors that determine the working capital needs of a firm.
2. The pro-forma of cost sheet of a company provides the following particulars:

| | Amount per unit(Rs) |
|---------------|---------------------|
| Raw material | 80 |
| Direct Labour | 30 |
| Overhead | 60 |
| Total Cost | 170 |
| Profit | 30 |
| Selling Price | 200 |

- (a) Raw material in stock, on an average one month; material in process, on an average half a month; finished goods in stock, on an average one month.
 - (b) Credit allowed by suppliers is one month; credit allowed to debtors is two month; lag in payment of wages is one and half weeks; lag in payment of overhead expenses is one month; one-fourth of the output is sold against the cash; cash in hand is expected to be Rs, 25000. You are require to prepare a statement showing the working capital needed to financing a level of activity of 104000 units of production. You may assume that production is carried on evenly throughout the year and wages and overheads accrue similarly.
3. Consider the following projects:

| Cash flow (Rs.) | | | | | |
|-----------------|--------|------|------|------|-------|
| Projects | C0 | C1 | C2 | C3 | C4 |
| P | -10000 | 6000 | 2000 | 2000 | 10000 |
| Q | -13000 | 1000 | 1000 | 1000 | 16000 |
| R | -13000 | 0 | 0 | 3000 | 16000 |

Determine 1. NPV 2. IRR 3. PI 4. Pay back period 5. Discounted PB 6. ARR
If the rate of return is 10 % .