

**PARUL UNIVERSITY**  
**FACULTY OF MANAGEMENT**  
**BBA, Summer 2017 - 18 Examination**

**Semester: 6**  
**Subject Code: 06101387**  
**Subject Name: Advanced Financial Management-II**

**Date: 28/05/2018**  
**Time: 10:30 am to 1:00 pm**  
**Total Marks: 60**

## 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 Do as Directed.**

**A). Multiple choice type questions/Fill in the blanks. (Each of 1 mark) (05)**

1. Welfare investment are the one of which forced to the \_\_\_\_\_ and which might not aim at profitability of company.
  - a) Management
  - b) Director
  - c) Company
  - d) None of Above
2. Which method of capital budgeting does not take into account the COC.
  - a) Net Present Value
  - b) Pay Back
  - c) Profitability Index
  - d) All of Above
3. \_\_\_\_\_ is a type of permanent working capital.
  - a) Seasonal working Capital
  - b) Net working capital
  - c) Regular working capital
  - d) All of the above
4. \_\_\_\_\_ refers to a transaction or series of transaction to convert a publically traded company into private entity.
  - a) Private Placement
  - b) FPO-Follow Public Offer
  - c) Right Issue
  - d) Going Private
5. \_\_\_\_\_ means two entities that do not compete with each other but exist in the same supply chain.
  - a) Vertical Merger
  - b) Horizontal
  - c) Conglomerate
  - d) None of above

**B). Define the following. (Each of 1 mark) (05)**

1. Divestiture
2. Leverage Buyout
3. Capital Budgeting
4. Permanent Working capital
5. Operating cycle

**C). Direct questions. (Each of 1 mark) (05)**

1. State the formula of EVA
2. State the features of Capital Structure
3. State the advantages of Working capital
4. Define Demerger
5. State the formula of WACC

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

- A).** Discuss in detail various reasons for corporate restructuring. **(07)**
- B).** Write in detail the assumptions of “Net Income” and “Net Operating Income”. **(08)**

**Q.3 Answer the following question.**

- A). M Ltd. wants to purchase one machine from below mentioned two machines “X” and “Y”. (07)

Investment in both machine is Rs. 800000. Expected rate of return is 11% and Tax rate is 50%, Additional working capital investment of Rs. 25000 and Rs. 40000 require for Machine “X” and “Y” respectively. Life of both the machine is 5Years. Profit after depreciation and Tax are as follows.

Year	Machine X	Machine Y
1	90,000	70,000
2	60,000	90,000
3	40,000	40,000
4	30,000	20,000
5	10,000	60,000

Select the most profitable investment using NPV method.

- B). Shareholders’ wealth increase as increase insubstantial value of an organization. On other hand (08)

the negative EVA Means the management efficiency and investment less than the value of capital contributed to company by the capital market or that the wealth and value has destroyed. The following information of UPIN Ltd is available. Calculate EVA.

Debt capital @ 12 %	Rs.1000 Crore
Equity capital	Rs, 250 Crore
Reserve and Surplus	Rs. 3750 Crore
Capital Employed	Rs. 5000 Crore
Net Operating Profit before Tax	Rs. 1050 Crore

**Q.4 Attempt any two questions. (Each of 7.5 mark)****(15)**

1. The director of “P” ltd are considering the purchase of a new Machine to replace old one.

The company pay 50% tax on earnings, and Depreciate any machinery at SLM. Prepare a statement on the basis of NPV for submission to the directors, which help directors to take decision for installing new machine, The cost to company is 10%.

Particulars	Old Machine	New Machine
Cost of machine	50000	80000
Life	10Years	10Years
Annual Working Capital	2000	2000
Unit produced per Hours	25	40
Wages Per Hour	3.5	5
Power per Annum	2500	5000
Consumable Goods	8000	10000
Other Charges	10000	12000
Material Cost Per unit	0.60	0.60
Selling Price per unit	1.60	1.60

2. Write a detail notes on EVA and explain its utility.  
3. What are the types of Corporate restructuring?

4. The cost sheet of "P" Ltd. provides the following data : Cost per unit

Raw materials	Rs. 50
Direct Labour	20
Overheads (including depreciation of Rs. 10)	40
Total cost	110
Profits	20
Selling price	130

Average raw material in stock is for one month. Average materials in work-in-progress is for half month. Credit allowed by suppliers; one month; credit allowed to debtors; one month. Average time lag in payment of wages; 10 days; average time lag in payment of overheads 30 days. 25% of the sales are on cash basis. Cash balance expected to be Rs. 1,00,000. Finished goods lie in the warehouse for one month.

You are required to prepare a statement of the working capital needed to finance a level of the activity of 54,000 units of output. Production is carried on evenly basis throughout the year and wages and overheads accrue similarly. State your assumptions, if any, clearly.