



PD – 136

I Year M.Com. Examination, October 2012
(2007-2008 Scheme)
COMMERCE
Paper – 1.8 : Advanced Financial Management

Time : 3 Hours

Max. Marks : 100

Instruction : Attempt all Sections.

SECTION – A

Answer **any eight** of the following sub-questions in about **six lines each**. Each sub-question carries **two** marks. (8x2=16)

1. a) Financial Environment.
- b) Implicit Cost of Capital.
- c) ADRs.
- d) Deep Discount Bonds.
- e) Decision Tree Analysis.
- f) Discounted Payback.
- g) Scrip Dividend.
- h) Stock Split.
- i) Variable Working Capital.
- j) Motives of Holding Cash.
- k) Options.
- l) Swaps.

SECTION – B

Answer **any three** questions. Each question carries **eight** marks. Answer to each theory question should **not** exceed **one** page. (3x8=24)

2. Comment on the emerging role of finance manager in India.
3. "Retained Earnings are cost free". Comment.
4. Compare and contrast NPV with IRR.

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5. HLL has provided the following information and requested you to calculate Weighted Average Cost of Capital using book value weights.

Sources of Finance	Amount (Rs.)	Weights (%)	After Tax Cost (%)
Equity Capital	14,00,000	0.452	10
Preference Capital	8,00,000	0.258	12
Debenture Capital	9,00,000	0.290	16

6. Discuss the factors affecting working capital requirements of a company.

SECTION – C

Answer **any four** questions. **Each** question carries **fifteen** marks. Answer to **each** theory question should **not** exceed **three** pages. **(4×15=60)**

7. What are the components of cost of capital ? Discuss in detail individual components of cost of capital.
8. What are the differences between domestic and international financial management ?
9. From the following particulars prepare a monthly cash budget for the quarter ended 31st March 2012.

(Rs. in lakhs)

Month	Sales	Purchases	Wages	Expenses
November 2011	5.00	1.00	2.00	0.40
December 2011	6.00	2.00	2.00	0.40
January 2012	4.00	3.00	2.20	0.50
February 2012	5.00	2.00	2.20	0.50
March 2012	6.00	1.00	2.40	0.50

**Additional Information :**

- a) 10% sales and purchases are on cash.
 - b) Credit to debtors : One month on an average, 50% of debtor will make payment on the due date while the rest will make payment one month thereafter.
 - c) Credit from creditors : 2 months.
 - d) Wages to be paid twice in a month on the 1st and 16th respectively.
 - e) Expenses are generally paid within the month.
 - f) Opening cash balance is Rs. 2,00,000.
10. The following information is available in respect of a firm :
- a) Earnings per share (EPS) Rs. 40.
 - b) Capitalization rate (K_o or K_e) 10%.
 - c) Assumed rate of return on investment (r) is (i) 13%; (ii) 10%; (iii) 8%.
 - d) You are required to show the effect of dividend payment on the market price per share using Walter's model, when dividend payout ratio is (i) 0%; (ii) 25%; (iii) 50% and (iv) 100%.
11. Explain the EBIT – EPS analysis for determining capital structure of a company.
12. 'Financial feasibility of a project is an important step in project appraisal'. Discuss.
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