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V Semester B.Com. Degree Examination, March/April - 2023

**COMMERCE**  
**Advanced Financial Management**  
**(CBCS Scheme Regular)**  
**Paper : FN 5.3**



**Time : 3 Hours**

**Maximum Marks : 70**

**Instructions to Candidates:**

Answers should be written in English only.

**SECTION-A**

Answer any Five of the following. Each carries 2 marks.

**(5×2=10)**

1. a) What is Financial Management?
- b) What do you mean by time value of money?
- c) What is adjusted present value method?
- d) What is free cashflow?
- e) What is Buy - back of shares?
- f) What is operational restructuring?
- g) What do you mean by acquisition?

**SECTION - B**

Answer any Three of the following. Each carries 5 marks.

**(3×5=15)**

2. Briefly explain the concept of profit maximisation and wealth maximisation.
3. What are the various reasons for mergers and acquisition?
4. What is the future value in 10 years of Rs. 1,500 payments received at the end of each year for the next 10 years? Assume an interest rate of 8%.

**[P.T.O.]**



5. Albert co., has the following capital structure as on 31<sup>st</sup> March, 2022:

Source of finance	Market values
10% Debentures	3,00,000
9% Preference share	2,00,000
Equity share (Rs. 100 each)	5,00,000
<b>Total</b>	<b>10,00,000</b>

The equity shares of the company are quoted at Rs. 102 and the company is expected to declare dividend of Rs. 9 per share for 2022.

Assuming the tax rate applicable to the company at 50% and growth rate is 5%, calculate WACC.

### SECTION - C

Answer any **Three** of the following. Each carries 15 marks.

(3×15=45)

6. Describe the various forms of corporate restructuring.
7. Write a note on :
- a) Marakon approach
  - b) Alcar approach
  - c) McKinsey approach
8. Balance sheet of a corporate as on March 31<sup>st</sup>, 2016 is as follows:

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Equity capital (1 crore shares)	200	Plant and machinery	250
Reserve and surplus	180	Land and building	150
12% debenture	150	Inventory	80
Total creditors	35	Receivables	60
Other current liabilities	15	Other current assets	40
	<b>580</b>		<b>580</b>



The market value of its assets as assessed by professional valuer is as follows :

Plant and machinery - Rs. 180 crores

Land and Building - Rs. 300 crores

The current resale value of the remaining assets is as per their book values.

You are required to compute the value of equity share on the basis of net assets method (book value and market value).

9. The following information is provided related to the acquiring firm Sun Ltd. and the target firm Moon Ltd. :

Particulars	Sun Ltd.	Moon Ltd.
Profits after tax	Rs. 2,000 Lakhs	Rs. 4000 Lakhs
Number of shares outstanding	200 Lakhs	1000 Lakhs
P/E ratio (Times)	10	5

Required to calculate exchange ratio based on

- i) Current market price
  - ii) Earnings per share
  - iii) P/E Ratio
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