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VI Semester B.Com. (Regular) T&T/I&AS Degree Examination,

July/August - 2024

COMMERCE

Advanced Financial Management

(NEP Scheme)

Paper : 6.3



Time : 2½ Hours

Maximum Marks :60

Instructions to Candidates:

Answer should be completely written in English only.

SECTION - A

Answer any Five sub questions . Each sub question carries 2 marks. (5×2=10)

1. a) Give the meaning of cost of capital.
- b) If EBIT (Operating Profit) is Rs. 1,50,000, cost of debt (K_d) is 8% cost of equity (K_e) is 12% and overall cost of capital (K_o) is 10%, calculate the value of the firm under NOI approach.
- c) Mention any two objectives of capital Budgeting.
- d) What is operating cycle?
- e) What is meant by speculative motive?
- f) State any four assumptions of Gordon's approach.
- g) If a company's ROR(r) = 12%, cost of Equity (K_e) = 8% and EPS = Rs. 10, calculate the value of Equity under Walter's equation assuming 30% dividend payout.

SECTION - B

Answer any Four questions. Each question carries 5 marks. (4×5=20)

2. Explain the factors influencing cost of capital.
3. Explain the irrelevant concept of capital structure as per MM approach.

[P.T.O.]



4. Given the following information:

Particulars	ABC Co. Ltd.	XYZ Co. Ltd.
EBIT	Rs. 2,40,000	Rs. 2,40,000
14% Debentures	Rs. 6,00,000	-
Tax Rate	40%	40%
Cost of equity capital (K_e)	18%	18%

Compute the value of ABC Ltd. and XYZ Co. Ltd. using Net Income (NI) Approach.

5. A project cost Rs. 1,00,000. It is expected to generate cashflows as under:

Year	Cash Inflow (Rs.)	Certainty Equivalent
1	64,000	0.9
2	54,000	0.6
3	40,000	0.5
4	20,000	0.3

Risk free discount rate is 10% calculate NPV. Discount factor at 10% for 1st year - 0.909, 2nd year - 0.826, 3rd year - 0.751 and 4th year - 0.683

6. Sigma Ltd. provides the following information:

Particulars	Rs.
Total Sales	10,00,000
Cash sales (included in total sales)	4,80,000
Return inwards/sales returns	20,000
Opening Debtors	1,30,000
Closing Debtors	70,000

- Debtors Turnover Ratio (DTR)
- Average Collection Period (ACP).

**SECTION - C**

Answer any Two questions. Each question carries 12 marks.

(2×12=24)

7. The capital structure of Arun co.Ltd. comprises the following securities:

Sources of Fund	Book Value (Rs.)	Market Value (Rs.)	Specific Costs
Pref:share capital	2,50,000	2,75,000	8%
Equity share capital	15,00,000	22,50,000	15%
Retained Earnings	5,00,000	6,25,000	13%
Debentures.	10,00,000	8,50,000	5%

Calculate the WACC by using:

- i) Book value weights
- ii) Market value weights.

8. Following are the details regarding three companies:

Indu Ltd.	Bindu Ltd.	Sindhu Ltd.
$r = 15\%$	$r = 10\%$	$r = 8\%$
$K_e = 10\%$	$K_e = 10\%$	$K_e = 10\%$
EPS = Rs. 10	EPS = Rs. 10	EPS = Rs.10

Calculate the value of equity share of each of the company when Dividend payout Ratio is :

- i) NIL 0%,
- ii) 50%,
- iii) 80% and
- iv) 100%

You are required to offer your comments on the results by using Walter's model.

9. What are Accounts Receivables? Explain the factors influencing the size of Receivables.

SECTION - D

Answer any ONE question. It carries 6 marks.

(1×6=6)

- 10. Compare The NI Approach and Net Operating Income (NOI) Approach.
 - 11. List out any Six Inventory Techniques.
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