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Dr. D. Y. Patil Institute of Management & Entrepreneurship Development
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SEAT No. :

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MBA

FIN 602 MJ : ADVANCED FINANCIAL MANAGEMENT

(2024 Pattern) (Semester - III)

Time : 2½ Hours] *[Max. Marks : 50*

Instructions to the candidates:

1) *All questions are Compulsory.*
2) *Each question carries equal marks.*

Q1) **Solve any five :** **[5 × 2 = 10]**

a) What is financial distress?

b) State any two differences between NPV and IRR

c) Define Economic Value Added (EVA).

d) Write any two objectives of trade credit.

e) What is Financial Restructuring?

f) The term "capital structure" refers to:

i) Long-term debt, preferred stock, and common stock equity

ii) current assets and current liabilities.

iii) Total assets minus liabilities.

iv) Shareholders' equity.

g) PAT of a company Rs. 100 lakhs and number of equity shares of Rs. 10 each with a capital of Rs. 50 lakhs, then EPS is :

i) Rs. 2 ii) Rs. 1

iii) Rs. 10 iv) Rs. 20

h) Which of the following is not a source of fund?

i) Issue of Capital

ii) Issue of Debenture

iii) Decrease in Working Capital

iv) increase in Working Capital

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Q2) **Solve any two :** **[2 × 5 = 10]**

a) What is Capital Rationing? Explain the methods of capital rationing.

b) Explain the different motives for holding cash and marketable security.

c) Discuss the factors affecting dividend policy of a firm.

Q3) **Solve any one :** **[1 × 10 = 10]**

a) The following are the summaries of the balance sheets of the Bharat Vijay Ltd. as on 31-03-24 and 31-05-25. **[10]**

Liabilities	2024 Rs.	2025 Rs.	Assets	2024 Rs.	2025 Rs.
Share capital	3,00,000	4,00,000	Buildings	1,20,000	2,50,000
Debentures	2,00,000	2,50,000	Machinery	3,00,000	2,60,000
Profit & Loss A/c	40,000	60,000	Stock	90,000	80,000
Creditors	70,000	80,000	Debtors	1,40,000	2,40,000
Bank overdraft	25,000	25,000	Prepaid expenses	15,000	25,000
Provision for Taxation	30,000	40,000			
	6,65,000	8,55,000		6,65,000	8,55,000

The following additional information is obtained :

i) During the year depreciation charged was Rs. 30,000 on building and Rs. 40,000 on machinery.

ii) The company purchased during the year buildings worth Rs. 1, 60,000.

iii) Dividend paid during the year amounted to Rs. 20,000.

From the above information, prepare a statement of sources and application of funds.

OR

b) The following summary cash account has been extracted from the company's accounting records :

Summary Cash Account

Particulars		(Rs in Thousand)
Balance at 1.3.2025		35
Receipts from customers		2,783
Issue of shares		300
Sale of fixed assets		128
		3246
Payments to suppliers	2,047	
Payments for fixed assets	230	
Payments for overheads	115	
Wages and salaries	69	
Taxation	243	
Dividends	80	
Repayments of bank loan	250	(3,034)
Balance at 31.3.2025		212

Prepare Cash Flow Statement of this company Hills Ltd. for the year ended 31st March, 2025 in accordance with AS-3 (Revised).

The company does not have any cash equivalents. **[10]**

Q4) **Solve any one :** **[1 × 10 = 10]**

a) Raj Ltd. has a capital structure consisting of equity capital only. It has 50,000 equity shares of Rs.10 each. Now the company wants to raise a fund for Rs. 1,25,000 for its various investment purposes after considering the following three alternative methods of financing.

i) If it issues 12,500 equity shares of Rs.10 each.

ii) If it borrows a debt of Rs. 1,25,000 at 8% interest and

iii) If it issues 1,250 8% preference shares of Rs. 100 each

Show the effect of EPS under various methods of financing if EBIT (after additional investment) are Rs. 1,56,250 and the rate of taxation is @ 50%. **[10]**

OR

b) i) Rajesh Ltd. is expecting an Annual EBIT of Rs. 1 lakh. The Company has Rs. 4 Lakhs in 10% Debentures. The Cost of Equity Capital / Capitalisation Rate is 12.5%. You are required to analyse value of the firm as per Net Income Approach also state the overall cost of capital. **[5]**

ii) Following is the total capital employed by Modern Food Limited as on 31.3.2025

Item of Capital	Amount (Lakhs)
Share Capital	100
Reserves	200
10% Public Bonds	120
9% Institutional Loan	130
Total	550

Company made an operating profit of Rs 130 Lakhs during 2024-25. For EVA computation cost of total capital is taken at 15%. Company pays tax at 30%. Analyse Economic Value Added. **[5]**

Q5) **Solve any one :** **[1 × 10 = 10]**

a) Following are the details of three companies :

Particulars	Rohan Ltd.	Sohan Ltd.	Mohan Ltd.
Rate of Return	20%	15%	10%
Earnings per Share	Rs.8	Rs.8	Rs.8
Capitalisation Rate	15%	15%	15%

Analyse the value of an equity share of each of these companies applying Walter's Model when D/P ratio is (a) 40% (b) 70% (c) 90%. **[10]**

OR

b) Shruti Toys manufacturers die cast metallic cars for kids. Its present sale is ₹ 60 lakhs per annum with 20 days credit period. The company is contemplating an increase in the credit period with a view to increasing sales. Present variable costs are 70% of sales and the total fixed costs ₹ 8 lakhs per annum. The company expects pre-tax return on investment @ 25%, Some other details, are given as under :

Proposed Credit Policy	Average Collection Period	Expected Annual Sales (₹ in Lakhs)
I	30 days	65
II	40 days	70
III	50 days	74
IV	60 days	75

You are required to advise the company on the policy to be adopted. Assume 360 days in a year. Calculations should be made up to two digits after decimal. **[10]**

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