Oct-Nov-2025

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Total No. of Questions : 5]

SEAT No. :

PE-5842

[Total No. of Pages : 4

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M.B.A.
FIN602MJ : ADVANCED FINANCIAL MANAGEMENT
(2024 Pattern) (Semester - III)

Time : 2½ Hours] *[Max. Marks : 50*

Instructions to the candidates:

1) *Answer all questions.*
2) *Figures to the right indicate full marks.*
3) *Use of electronic calculator is allowed.*
4) *Assume suitable data, if necessary.*

Q1) Solve any Five : **[10]**

a) As per the Miller - Orr model of cash management what is the formula to calculate spread (called Z)?

b) Give any four motives for holding cash.

c) As per the Walter's model of dividend, what is the formula for calculation of expected market price of shares?

d) What is the economic value added (EVA) of an investment if the after-tax operating profits are Rs. 3,50,000 and associated financing costs are Rs. 2,95,000?

e) What are the objectives of share buyback?

f) What you called a statement which shows the movement of funds between two periods of the business?

g) What you mean by operating leverage? How to calculate it?

h) What is stock splits?

Q2) Solve any Two : (5 marks each) **[10]**

a) Explain Signaling Theory in detail?

b) Write a detailed note on Economic Value Added (EVA) with its merits and demerits.

c) What is risk and uncertainty in capital budgeting?

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Q3) a) The following is the Balance Sheet of India Pvt. Ltd as on 31st December 2023 & 2024. **[10]**

Liabilities	**2023**	**2024**	**Assets**	**2023**	**2024**
Share Capital	100000	120000	Goodwill	15000	13000
Profit & Loss A/c	25000	45000	Building	50000	45000
Debentures	50000	75000	Machinery	100000	120000
Creditors	10000	15000	Furniture	1000	2000
Bills Payable	1000	2000	Investment	-	60000
Provision for Depreciation on Building	5000	7000	Debtors	13000	12000
Machinery	3000	4000			
			Stock	12000	11000
			Cash	2000	4500
			Preliminary Expenses	1000	500
	194000	**268000**		**194000**	**268000**

Additional Information :

i) A Part of building of the original cost of Rs 5000 on which accumulated depreciation was Rs 500 was sold during the year 2024 for Rs. 6000.

ii) One Machine costing Rs 10000 on which accumulated depreciation Rs. 300 was sold during the year for Rs. 8000 in 2024.

iii) An Interim Dividend Paid during the year 2024 was Rs. 15000.

You are required to prepare a Fund flow Statement.

OR

b) From the following summary of Cash A/c of Yuan Ltd. Prepare Cash Flow Statement for the year ended 31st March, 2025 **[10]**

Cash A/c

To Opening Balance	500	By Purchase of Furniture	2000
To Equity Shares	3000	By Suppliers payment	20000
To Sales proceeds	28000	By Overhead Expenses	2000
To Sale of Machinery	1000	By Salaries	1000
		By Tax Paid	2500
		By Dividend paid	500
		By Repayment of loan	3000
		By Balance c/d	1500
	32500		**32500**

Q4) a) Vinay Ltd. has an equity share capital of Rs. 40,00,000 consisting of equity shares of Rs. 100 each. The company has an opportunity to enter into global markets but it calls for additional funds of Rs. 25,00,000.

Following options are available.

i) Rs. 15,00,000 through ordinary equity shares of Rs. 100 each and balance @ 14% Long Term Loan.

ii) Rs. 10,00,000 through equity shares of Rs. 100 each and Rs. 15,00,000 @ 16% Long Term Loan.

iii) Rs. 10,00,000 through equity shares of Rs. 100 each and Rs. 15,00,000 through 14% preference shares.

Assume that Income Tax rate is 50% and expected EBIT is Rs 7,50,000. Calculate EPS and advise beneficial option to the company. **[10]**

OR

b) Dwij Ltd. expects a Net Operating Income of Rs.3,00,000. The overall capitalization rate of the company is 12% and it has 10,000, 9% secured Redeemable Debentures of Rs. 100 each. You are required calculate the value of the company under "Net operating Income Approach". Also calculate the cost of equity capital of the company. **[10]**

Q5) a) A firm has annual sales of ₹8,00,000 (all credit), a variable cost of 60%, and an average collection period of 30 days. It proposes to extend credit to 45 days, expecting sales to rise to ₹8,80,000. Bad debts will increase from 1% to 2% of sales. Assume a 15% required return on investment and 360 days/year. Is the proposal feasible? **[10]**

OR

b) i) Calculate market price of share using Walter model from the following information **[5]**

- Rate of return on Investment 10%
- Capitalization Rate 8%
- Earning per share Rs. 5
- Dividend per share Rs. 4

ii) From the following information relating to a company, determine the market price of a share using Gordon's model. **[5]**

- Earning per share Rs. 10
- Rate of return 20%
- Cost of capital 15%
- Payout ratio 60%

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