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Roll No. ....

**576214(76)**

**676213(76)**

**M. B. A. (Second Semester) Examination,**

**April-May 2020**

**(New Scheme)**

**(Management Branch)**

**(Specialization : General)**

**ADVANCED FINANCIAL MANAGEMENT (NEW)**

***Time Allowed : Three hours***

***Maximum Marks : 80***

***Minimum Pass Marks : 32***

***Note : Attempt all questions.***

1. "The concept of finance function has changed and keeps changing along with the evolution of the concept of finance as a management activity. Elaborate.

16

**Or**

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What should be the basic objective of financial management in this modern era of corporations and companies? Explain, giving reasons.

2. A company has a capital structure of 40% debt and 60% equity. The company is presently considering several alternative investment proposals costing less than 20 lakh. The company always raises the required fund without disturbing the present debt-equity ratio. The cost of raising the debt and equity are as under :

Project cost	Cost of debt	Cost of equity
Upto ₹ 2,00,000	10%	12%
Above ₹ 2,00,000 & upto ₹ 5,00,000	11%	13%
Above ₹ 5,00,000 & upto ₹ 10,00,000	12%	14%
Above ₹ 10,00,000 & upto ₹ 20,00,000	13%	14.5%

Assuming tax rate at 50%, calculate : Cost of capital of two projects X and Y whose fund requirement are ₹ 6,50,000 and 14,00,000 respectively. 16

Or

- (a) What is weighted average cost of capital? What is the rationale behind the use of weighted average cost of capital? 8

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- (b) Explain the relevance concept of dividend policy. Describe the Walter's formula regarding dividend policy. 8

3. From the following financial data of companies X and Y for the year ending 31st March 2012, prepare their income statements : 16

	X	Y
Variable cast as % of sales	50	60
Interest expenses	20,000	6,000
Degree of operating leverage	3 : 1	5 : 1
Degree of financial leverage	2 : 1	3 : 1
Fan rate	55%	55%

Or

- (a) What is Financial Leverage? Can all types of companies afford to maintain a high financial leverage in their capital structure. 8
- (b) Explain the relationship between capital structure and value of the firm. 8

4. The expenses budget for production of 10,000 units in a factory are furnished below :

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	Per unit
Material	70
Labour	25
Variable overhead	20
Fixed overhead (₹ 1,00,000)	10
Variable expenses	5
Selling expenses (10% fixed)	13
Distribution expenses (20% fixed)	7
Administrative expenses (fixed 50,000)	5
Total cost	155

Prepare a budget for the production of (i) 8,000 units  
(ii) 6,000 units. Assume that administrative expenses are rigid for all level of production.

16

Or

From the following informations, make out a statement of Proprietor's fund with as many details as possible :

Current Ratio	2.5
Liquid Ratio	1.5
Proprietary Ratio (FA/Proprietor's funds)	.75
Working capital	60,000

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Reserve & surplus	40,000
Bank overdraft	10,000

5. The Board of Directors of Raj limited ask you to prepare a statement showing working capital estimates for a level of activity of 15,600 units of production. The following information is available for you calculation :

(a) Per unit cost and selling price :

Raw material	90
Labour	40
Overheads	75
	205
Profit	60
Selling price	265

- (b) (i) Raw material are in stock average for one month.  
(ii) Raw material are in progress an average two weeks.  
(iii) Finished goods are in stock an average for one month.  
(iv) Credit allowed by supplier one month.

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(v) Credit allowed to debtors two months.

(vi) Lag in payment of wages 1.5 weeks.

(vii) Lag in payment of overheads is one month.

20% of the production is sold against cash. Cash in hand is expected to be ₹ 60,000. It is to be assumed that production is carried an evenly throughout the year, wages and overheads occurs similarly and time period of 4 weeks is equivalent to one month. 16

Or

- (a) What assumptions underline the basic deterministic E.O.Q. model? Derive E.O.Q. formula. 8
- (b) What do you mean by Appropriate Working Cash Balance? How is it determined? 8