

**G.V.M.'s Gopal Govind Poy Raiturcar College of
Commerce and Economics, Ponda Goa**

M.Com. Semester I

ISA II September 2023

COM 500: Advance Financial Management

Time: 1 hour

Marks: 20

Q.1. Fill in the blanks

(1 marks each)

- a) The combination of equity and debt to bring efficiency of finance in business is called _____.
- b) According to Net income Approach the capital structure decisions are relevant to the _____.

Q.2. Answer any Four of the following.

(2 marks each)

- i. Capital Structure theories proposed to make capital structure decisions, what net income approach proposes?
- ii. Explain any two factors affecting capital structure.
- iii. List the assumptions of capital structure theories.
- iv. Show the steps in evaluating project Through Net Present Value method.
- v. Disha Ltd's Expected profit before interest and tax for the forthcoming 2 years is as follows:

Year 1: ₹ 10000 and Year 2: ₹ 20000

If interest is 5% and Tax Rate is 30% then calculate cash inflow from the project.

Q.3. The expected cash flow of three projects is given below.

(10 marks)

Years	Project A	Project B	Project C
0	(500,000)	(500,000)	(500,000)
1	90,000	70,000	200,000
2	100,000	80,000	100,000
3	90,000	100,000	90,000
4	80,000	100,000	100,000
5	200,000	200,000	200,000
6	150,000	100,000	100,000

The cost of capital is 12% for the above projects.

Rank the projects using **Payback Period**, **NPV** and **Profitability Index** and interpret the results.