

Goa Vidyaprasarak Mandal's
Gopal Govind Poy Raiturcar College of
Commerce and Economics, Ponda Goa.

M.Com. Semester -I End Examination, October-November 2024
COM 500: Advanced Financial Management

Duration: 2 Hours

Total Marks: 40

Instructions: 1) This paper consists of **six** questions carrying **equal** marks.
2) Question No. 1 consists of **5 compulsory** questions of **2 marks each**.
3) Answer **any three** questions from Q. No. 2,3,4,5 and 6.
4) Each question carries 10 marks. .

(Marks) (CO) (BL)

Q.1. Answer the following.

- | | |
|---|-------------|
| a) What is the importance of the time value of money in business decision-making? | (2) (1) (1) |
| b) How does cash budgeting function in a business? | (2) (3) (1) |
| c) Write the advantages and disadvantages of stock split. | (2) (3) (1) |
| d) What is Right Issue? | (2) (4) (2) |
| e) Consider the following information: | |
| Sales: 550000 | |
| Variable cost: 40% | |
| Fixed cost: 20% | |
| Corporate tax: 35% | |
| Preferred Dividends: 20000 | |
| Equity shares: 100000 | |
| Calculate Earnings per share. | (2) (2) (3) |

Q.2. Calculate the Weighted Average Cost of Capital of Green Ltd, as per

- a) Book value weights Basis
- b) Market value weights Basis

The capital structure of the company is as under:

Debentures (Rs 100 per debenture) ₹ 6,00,000

Preference shares (Rs 100 per share) ₹ 4,00,000

Equity shares (Rs 10 per share) ₹12,00,000

The market prices of these securities are:

Debenture ₹105 per debenture, Preference Rs 110 per preference share and Equity Rs 24 each.

Additional information:

- i. Rs 100 per debenture redeemable at par, 9% coupon rate, 3% flotation costs, 10-year maturity.
- ii. Rs 100 per preference share redeemable at par, 4% coupon rate, 1% flotation cost and 10-year maturity.
- iii. Equity shares have ₹4 flotation cost.

The expected dividend is Rs 10 with annual growth of 5%. The firm paid ₹1.3 as dividends last year.

The corporate tax rate is 30%.

(10) (2) (4)

Q.3. Sunlight Ltd. wants to invest in a project, the company has 4 projects to choose the best for their investment. The life of the project is 4 years, and the estimated salvage value of the project is zero. Straight line method of charging depreciation is followed for no. of years. The tax rate is 50%. The expected cash flows before tax are as follows:

years	A	B	C	D
0	(10,00,000)	(12,00,000)	(10,00,000)	(10,00,000)
1	1,20,000	1,00,000	4,10,000	5,00,000
2	3,00,000	4,50,000	5,30,000	5,50,000
3	5,00,000	8,00,000	5,00,000	80,000
4	5,00,000	8,00,000	90,000	70,000

You are required to rank the projects on the basis of the Payback period Method, Average Rate of Return on the investment, Net Present Value at 9% Cost of Capital and Profitability Index

(10) (2) (3)

Q.4. A. AB Ltd Provides the following figures:

Particulars	Information
Sales	20,000 units of 10 each
Variable cost	30% of sales
Fixed cost	20% of sales
10% debentures	150000
Corporate Tax	30%

Calculate:

1. Operating Leverage

2. Financial Leverage

3. EPS (10000 shares of 10 each) (5) (3) (3)

B. Explain the determinants of Working Capital (5) (3) (4)

Q.5. Explain any five techniques of inventory control. (5) (3) (3)

Q.6. Discuss the theories of Capital Structure. (5) (3) (3)