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V Semester B.Com. Degree Examination, April - 2022

COMMERCE (Finance - Elective)

Advanced Financial Management

(CBCS Scheme)

Paper-FN 5.3

Time : 3 Hours

Maximum Marks : 70

Instructions to Candidates:

Answer should be in English.

SECTION-A

Answer any **Five** Sub - Questions. Each Sub-question carries 2 Marks. (5×2=10)

1. a) Define Financial Management.
- b) List any Four Profitability Ratios.
- c) What is Cost of Capital?
- d) What is Beta?
- e) Define Corporate Valuation.
- f) What is take over?
- g) What is Demerger?

SECTION-B

Answer any **Three** questions. Each question carries 5 Marks. (3×5=15)

2. Explain major categories of Corporate Restructuring.
3. Calculate the future value of annuity of Rs.5,000 deposited at the end of each year at 6% for a period of 5 years.

[P.T.O.]



4. From the following Balance Sheets of A.Ltd. Prepare common size Balance Sheet.

Particulars	31-3-2020	31-3-2021
	Rs.	Rs.
Share capital	2,00,000	2,50,000
Reserves and Surplus	1,00,000	1,50,000
Long-term loans	2,00,000	1,00,000
Creditors	3,00,000	4,00,000
	<u>8,00,000</u>	<u>9,00,000</u>
Buildings	2,00,000	2,50,000
Plant	2,00,000	2,50,000
stock	3,50,000	3,50,000
Cash	50,000	75,000
	<u>8,00,000</u>	<u>9,00,000</u>

5. The following details of a 'X' Company

Particulars	Company X
Total Debt	140 Crores
Total Equity	350 Crores
Debt to Equity Ratio	40%
Tax rate	30%
Calculate Beta of Company	X.

Assume Calculated beta of similar co.Y. is 1.1.



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SECTION-C

Answer any **Three** questions. Each question carries **15** Marks.

(3×15=45)

6. Briefly explain the approaches to Practice value Based Management.
7. XYZ Co. Ltd. has the following capital structure.

Sources of Finance	Amount Rs.	After Tax Cost %.
Debt Capital	15,00,000	4.0
Preference shares Rs.100 each	5,00,000	8.5
Equity share capital Rs.10 each	10,00,000	11.5
Retained Earnings	20,00,000	10.0
	<u>50,00,000</u>	

The Market value per equity share is Rs.28 each Calculate weighted average cost of capital.

- i) Based on book values.
- ii) Based on Market values.
8. Following is the condensed income statement of a firm for the current year.

Particulars	Amount Rs.(in lakhs)
Sales Revenue	500.0
Less:- Operating cost	300.0
Interest	12.0
	→ <u>312.0</u>
Earnings before tax	188.0
Less:- Tax at 40%	75.2
Earnings After Tax	<u>112.8</u>

[P.T.O.]



The firms existing capital consists of Rs.150 lakhs equity funds having 15% cost and Rs.100 lakhs 12% Debt.

Determine Economic value Added (EVA) during the year.

9. Company 'A' plans to acquire Company 'B'. Following are the statistics of Companies before the merger.

Particulars	A	B
	Rs.	Rs.
Market value per share	50	20
Number of shares	2,50,000	1,25,000
Market value of the Firm	25,00,000	25,00,000

The merger is expected to bring gains, which have a Present Value (PV) of Rs.25,00,000. Company 'A' offers 62,500 shares in exchange for Rs.1,25,000 shares to the share holders of Company B. Calculate the Net present Value (NPV) of the merger of the Two Companies.