PD – 111

I Year M.Com. (DCC) Examination, January 2018
(2007-08 Scheme)
COMMERCE
Paper – 1.8 : Advanced Financial Management

Time : 3 Hours Max. Marks : 100

***Instruction** : Answer **all** questions.*

SECTION – A

Answer **any eight** of the following sub-questions in about **six** lines **each**. **Each** sub-question carries **two** marks. **(8×2=16)**

1. a) Give the meaning of market makers in forex market.

   b) What is meant by spot and forward transactions ?

   c) How do you calculate WACC ?

   d) What do you mean by trading on equity ?

   e) Define warrants.

   f) What do you mean by Euro issues ?

   g) What are the uses of profitability index ?

   h) Give the meaning of simulation analysis.

   i) What is Walter's approach to dividend policy ?

   j) What does dividend payout ratio indicate ?

   k) Give the meaning of operating cycle.

SECTION – B

Answer **any three** questions. **Each** question carries **eight** marks. Answer to **each** theory question should **not** exceed **one** page. **(3×8=24)**

2. "Financial management is nothing but managerial decision making in asset mix, capital mix and profit allocation." Discuss.

3. What are depository receipts ? What do you mean by two way fungibility of ADR/GDR ? What are the provisions announced by SEBI in this respect ?

4. A firm whose cost of capital is 10% is considering two mutually exclusive projects X and Y, the details of which are :

Year	**Cash Flows**	
	Project X	**Project Y**
0	–100000	–100000
1	10000	50000
2	20000	40000
3	30000	20000
4	40000	10000
5	50000	10000

Compute the Net Present Value at 10% and Internal Rate of Return for the two projects.

5. What is Miller-Modigliani's dividend irrelevance hypothesis ? Critically evaluate its assumptions.

6. Write short notes on :
   a) Conservative Policies
   b) Moderate Policies
   c) Aggressive Policies
   d) Current asset to fixed assets ratio.

SECTION – C

Answer **any four** questions. **Each** question carries **fifteen** marks. Answer to **each** theory question should **not** exceed **three** pages. **(4×15=60)**

7. Define capital structure. Briefly explain the factors to be considered in capital structure planning.

8. Describe the structure of the Indian foreign exchange market. Who are the participants in the forex market ? Critically evaluate the foreign exchange regulations in India.

9. A trader whose current sales is Rs. 15 lakhs per annum and average collection period is 30 days wants to pursue a more liberal credit policy to improve sales. A study made by a consultant firm reveals the following information :

Credit Policy	Increase in Collection Period	Increase in Sales (Rs.)
A	15 days	60,000
B	30 days	90,000
C	45 days	1,50,000
D	60 days	1,80,000
E	90 days	2,00,000

The selling price per unit is Rs. 5. Average cost per unit is Rs. 4 and Variable cost per unit is Rs. 2.75 paisa per unit. The required rate of return on additional investments is 20%. Assume 360 days a year and also assume that there are no bad debts. Which of the above policies would you recommend for adoption ?

10. The following information is available in respect of a firm :
    a) Earnings per share Rs. 10
    b) Capitalisation rate 10%
    c) Assume the rate of return on investments is (i) 15%, (ii) 10%, (iii) 8%

    You are required to show the effect of dividend payment on the market price per share using Gordon's model, when dividend payout ratio is (i) 40%, (ii) 60%, (iii) 90%.

11. What are the sources of long term finance ?

12. How the concept of time value of money is applied to capital budgeting ? What are the methods based on the time value of money ?