NS – 453

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V Semester B.Com. Examination, November/December 2016
(Semester Scheme) (Repeters) (2014-15 and Onwards)
COMMERCE
5.5 : Elective Paper – I : Advanced Financial Management

Time : 3 Hours

Max. Marks : 100

Instruction : *Answers should be exclusively in **Kannada** or in **English**.*

SECTION – A

Answer **any 10** questions. **Each** question carries **2** marks. **(10×2=20)**

1. a) What do you mean by business risk ?

   b) What is optimum capital structure ?

   c) What do you mean by net working capital ?

   d) State the types of capital budgeting decisions.

   e) What is bond dividend ?

   f) State two assumptions of Gordon Model.

   g) What do you mean by adequate working capital ?

   h) Give the meaning of debentures.

   i) List the merits of preparing cash budget.

   j) What do you mean by inventory management ?

   k) State the 2 financial institutions of long term finance.

   l) What is temporary working capital ?
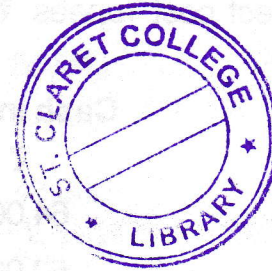
SECTION – B

Answer **any 4** questions. **Each** question carries **8** marks. **(4×8=32)**

2. Explain the motives of holding cash.

3. State the dangers of excess working capital.

P.T.O.

4. ABC Ltd. provides the following information :

Total sales	₹ 5,20,000
Cash sales	₹ 2,50,000
Sales returns	₹ 20,000
Opening debtors	₹ 67,500
Closing debtors	₹ 45,000
Provision for doubtful debts	₹ 10,000

Calculate :

a) Debtors turnover ratio

b) Average collection period.

5. A project cost rupees ₹ 1,00,000. It is expected to generate cash flows as under :

Year	Cash in flow ₹	Certainty equivalent
1	64,000	0.9
2	50,000	0.6
3	40,000	0.5
4	20,000	0.3
5	30,000	0.2

Risk free discount rate is 10%. Calculate N.P.V. discount factors at 10%.

Year	1	2	3	4	5
PV Factors	0.909	0.826	0.751	0.683	0.621

6. The following information is available in respect of ABC Ltd.

Earnings	₹ 10,00,000
Dividend paid	₹ 6,00,000
No. of shares outstanding	₹ 1,00,000
Rate of return on investment	15%
Price earning ratio	8

Calculate market value of shares as per Walter's model from the above particulars.

SECTION – C

Answer **any three** questions. **Each** question carries **16** marks.   **(3×16=48)**

7. What is capital structure ? Explain the factors influencing capital structure decision.

8. Distinguish between equity shares and pref. shares.

9. Prepare cash budget for January to March from the following information :

Months	Sales (Credit) ₹	Credit Purchases ₹	Wages and Salaries ₹	Other expenses ₹
Nov.	4,00,000	1,60,000	60,000	54,000
Dec.	4,40,000	1,40,000	60,000	54,000
Jan.	2,40,000	1,50,000	48,000	42,000
Feb.	2,00,000	1,00,000	48,000	60,000
March	3,00,000	1,20,000	48,000	48,000

Additional information :

a) Customers are allowed 2 months credit on sales.

b) Credit purchases are on 2 months credit.

c) Lag in payment of wages and salaries and other expenses is one month.

d) Cash balance at the beginning of January is ₹ 60,000.

10. Given the following information regarding 2 firms L and U.

Particulars	Firm L	Firm U
EBIT	3,00,000	3,00,000
10% debentures	5,00,000	–
Tax rate	50%	50%
Equity capitalization rate	–	0.15

Compute the value of both the firms using Net Income Approach and Net Operating Income Approach.