

S.Y.M.B.A.(with Credits)-Regular-Semester 2012 Sem III  
**Paper-MBA235B : Advanced Financial Management**

P. Pages : 2

Time : Three Hours



**GUG/W/16/3003**

Max. Marks : 70

- Notes :
1. Attempt **any five** questions.
  2. All questions carry equal marks.
  3. Use Present Value Factor Table.

1. Explain NI and NOI approach of capital structure with an example. 14
2. What are the basic steps are involved in the credit investigation process? 14
3. Discuss the advantages and disadvantages of hire purchase. Discuss the different clauses of hire purchase agreement. 14
4. Explain balance scorecard with its four perspectives in detail. 14
5. Write a short note on **any two**. 14
  - a) Miller Model
  - b) Venture capital
  - c) Parta system
  - d) Market value added method
6. XY Ltd. has an EBIT of ₹ 1,00,000. Its cost of debt is 10% and the outstanding debt amount to ₹ 4,00,000. The overall capitalization rate is 12.5%. The company decides to raise a sum of ₹ 1,00,000 through debt at 10% and uses the proceeds to pay off the equity shareholder. Calculate the total value of the firm and also the equity capitalization rate. 14
  - a) NI approach
  - b) NOI approach
7. A company has sales ₹ 25 lakhs. Average collection period is 50 days, bad debt losses are 5% of sales and collection expenses are ₹ 25,000. The cost of fund is 15%. The company has two alternative collection programs. 14

Particular	Program – I	Program – II
Average collection period reduce to	40 days	30 days
Bad debt losses reduce to	4% of sales	3% of sales
Collection Expenses	₹ 50,000	₹ 80,000

Evaluate which program is viable.

8. ABC Ltd. is considering to buy an equipment and it has two option. The cost of the equipment is ₹ 1,00,000. 14

Option – I : To buy with borrowed fund at a cost of 18% p.a. repayable in Five equal installments of ₹ 32,000.

Option – II : To take the equipment on lease on an annual rental of ₹ 32,000.

The salvage value at end of 5 year is zero. The company uses depreciation on SLM, assume tax rate 40%. Which of the two options would you recommend?

9. Daily demand for pieces of bread at grocery store is given by the following probability distribution. 14

Daily demand	100	150	200	250	300
Probability	0.20	0.25	0.30	0.15	0.10

If a piece of bread is not sold the same day, it can be disposed of at 15 paisa per piece at the end of the day. Otherwise the price of a fresh piece is 49 paisa. The cost per piece to the store is 25 paisa. If optimum level of stocking is 200 pieces of bread daily, then find.

- i) Expected profit (EMV)
- ii) Expected value of perfect Information (EVPI)

10. A Ltd. is considering takeover of B Ltd. and C Ltd. The financial data for the three companies are as follows. 14

Particular	₹ in Lakhs		
	A Ltd.	B Ltd.	C Ltd.
Equity share capital of ₹ 10 each	450	180	90
Earning	90	18	18
MPS (₹)	60	37	46

Calculate

- i) Price earning Ratio.
- ii) EPS of A Ltd. after the acquisition of B Ltd. and C Ltd. separately.

Will you recommend the merger of either or both of the companies? Justify your answer.

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