



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.

P.T.O.



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. 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 ?