VPM's
DR VN BRIMS, Thane
Programme: PGDM (2014-16) Fourth Batch
Fifth Semester Examination January 2016

Subject	**Advanced Financial Management**		
Roll No.		**Marks**	**60 Marks**
Total No. of Questions	**7**	**Duration**	**3 Hours**
Total No. of printed pages	**3**	**Date**	**18.01.2016**

Note: Q1 is compulsory and solve any FOUR from the remaining SIX questions.

Q1) 20 Marks (Compulsory)

A) ABC ltd is stock exchange listed company making good profits every year. However the board of directors is very conservative and has declared dividend at fix rate of Rs 2 per share, when EPS is always above Rs 25, for last 5 years. The last bonus issue was made 6 years ago. The salary packages are also not so attractive. As a result there is high turnover of employees and low volume of company's shares on bourses. The young members of the director's family wish to make the company more dynamic and employee friendly to the share holders so as to make the company most valued one. What steps would you suggest to achieve these objectives?

B) The Balance sheet of Ponds India Ltd as on 31st March2014 is as follows:

Liabilities	Amt(Rs in Lacs)	Assets	Amt(Rs in lacs)
Share capital	300	Fixed Assets	750
Reserves and Surplus	210	Inventories	450
Long term loans	540	Receivables	360
Short term loans	300	C ash and Bank	90
Payables	180		
Provisions	120		
	1650/-		1650/-

Sales for the current year were R 900 lacs.For the next year ending on 31 st March 2013 they are expected to increase by 20%. The net profit margin after taxes and dividend payout are expected to be 40% and 50% respectively. You are required to
a) find the amount of External funds required
b) Determine the mode of raising the funds given the following parameters
1)Current ratio—should be 1.33
2) Ratio of fixed assests to longterm loan should be 1.5

Q2) ***Any one from (a) or (b)*** —————— ***10 Marks***

A) What is the role of SEBI? Explain various functions of SEBI

B) The following information is given :----

Particulars	1Jan 2010 Rs	31st Dec 2010 Rs
Cash	70,000	1,00,000
Debtors	2,00,000	2,50,000
Creditors	1,50,000	2,00,000
Bills Payable	2,00,000	2,00,000
Price Index Number :---		
1st Jan 2010	200	
31st December 2010	300	
Average for 2010	240	

Calculate net monetary gains or loss

Q3) ***Any one from (a) or (b) ——————*** ***10 Marks***

A) A company purchased machinery on 1 Jan 2010 for a sum of Rs 9,00,000 .The retail price index on that day stood at 150 You are required to restate the value of the machinery according to CPP method on 31st December 2015 when the price index stood at 200

B) H limited agrees to acquire K limited based on the capitalization of last 3 years profits of K limited at an earning yield of 20%.

Profits of K limited

Year	Rs in lakhs
2007	70
2008	90
2009	80

Calculate the value of business by earnings yield model.

Q4) ***Any one from (a) or (b) ——————*** ***10 Marks***

A) The operating income of Hypothetical Ltd.amounts to Rs1,86,000. It pays 35% on its income . Its capital structure consists of following :---

14% Debentures	5, 00,000
15% prefenec shares	1,00,000
Equity shares (Rs 100 each)	4,00,000

Determine the firms EPS

Determine the percentage change in EPS associated with 30%change(both increase and decrease) in EBIT

B) Calculate EVA from the following data for the year ended 31st March, 2014.

Particulars	Rs. Crores
Average Debt	30
Average equity	270
Profit after Tax	145
Interest after Tax	0.5
Cost of Debt(Post tax)	7.5%
Cost of Equity	15%

Q 5) ***Any one from (a) or (b) ————*** ***10 Marks***

A) The following information is available for Sunshine Ltd

A/S=0.8 $\triangle$Sales = Rs 60 lacs L/S=0.5 M=0.04 S1=Rs 500 Lacs

D=0.6

There will be no change in the level of investment and no requirement of the term loans in the next year

1) Estimate the external funds requirements for the next year

2) Suppose the growth rate of net profit margin is 10% for Sunshine Ltd,for the next year in the above case ,What then will be the external fund requirements?

B) X Limited provides you following information as on 31st March, 2013

Balance Sheet as on 31st March, 2013

Liabilities	Amt(Rs in Lacs)	Assets	Amt(Rs in lacs)
Share capital	1000	Fixed Assets	2250
Reserves and Surplus	1300	Current Assets	750
Long term loans	200		
Creditors	500		
	3000		3000

Additional Information:

1. Profit before interest and taxes Rs 2,000 lacs
2. Interest Paid Rs 30 lacs
3. Tax Rate 30%
4. Risk Free Rate 11%
5. Long term market rate 12%
6. Beta 1.62

You are required to calculate the Economic value added (EVA).

Q 6) ***Any one from (a) or (b) ————*** ***10 Marks***

A) Write short note on Credit Rating and IPOs

B)Prakash Industries limited is having an issued and subscribed capital of Rs 50 lacs, equity shares of Rs 10 each fully paid up. The companies after tax profits for the year ended 31st march, 2009 was Rs. 320 lacs. The average stock exchange price of the company's share is Rs 23. The PE ratio of the industry is 8 times. Calculate the value of share and the value of the company based on average PE ratio of the industry.

Q 7) ***Any two from (a) or (b) ————*** ***10 Marks***

A) Write short note on following valuation methods

1. Dividend yield method ,2. Price earning method

B) Explain ADR and GDR