VPM's
DR VN BRIMS, Thane
Programme: PGDM (2015-17) (Finance)
Fifth Semester Examination December 2016

Subject	**Advanced Financial Management**		
Roll No.		**Marks**	**60 Marks**
Total No. of Questions	**7**	**Duration**	**3 Hours**
Total No. of printed pages		**Date**	**27.12.2016**

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

Q1) 20 Marks (Compulsory)
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 5 Marks
b) Determine the mode of raising the funds given the following parameters 5 Marks
1) Current ratio—should be 1.33 5 Marks
2) Ratio of fixed assets to long term loan should be 1.5 5 Marks

Q 2) Any one from (a) or (b) ————— **10 Marks**
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%

B) D limited belongs to a risk class for which the appropriate capitalization rate is 10%. It has 25000 shares outstanding. The current market price of share is Rs 100. The company is contemplating the declaration of dividend of Rs 5 per share at the end of current year. The company expects to have net income of Rs 2, 50,000 and has a proposal for making new investments of Rs 5, 00,000. You are required to calculate

a. Market price per share when dividend is declared
b. Market price per share when the dividend is not declared.
c. Number of new shares to be issued.
d. Show that the payment of dividend does not affect the value of firm.

Q 3) Any one from (a) or (b) ————— **10 Marks**
A) The following information is available for Sunshine Ltd
A/S=0.8 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) The following information is available of Tata steel company ltd. Calculate EVA by using CAPM method.

Particulars	Rs. Lacs
14% Debt Capital	3000
Equity Capital	800
Reserves and surplus	6200
Risk free rate	9%
Beta factor	1.05
Market Rate of Return	19%
Equity Market Risk Premium	10%
Operating Profit after Tax	2400
Tax Rate	35%

Q 4) Any one from (a) or (b) ————— **10 Marks**

A) A government bond of Rs 1000 each has a coupon rate of 8% per annum and maturity period is 20 years. If the current market price is Rs 1,050, find YTM (Yield to Maturity).

B) Write short note on a) Credit Rating b) Book Building Process

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

A) Explain the Net Income theory of capital structure and Net operating Income approach theory of capital structure

B) Z limited was started a year ago with paid up equity capital of Rs 20, 00,000. The other details are as follows

Earnings of the company Rs.200, 000
Dividend paid Rs 160,000
Price earnings ratio 12.5 times
No of shares 200000

You are required to find out whether you are required to find out whether the company's dividend payout ratio is optimal using Walter's model.

Q6) Any two from (a) or (b)(c)————— **10 Marks**

A) Explain the Modigliani and Miller theory of dividend and legal Provisions related to dividends of company

B) The shares of C Ltd are selling at Rs 40 per share .The firm had paid dividend of Rs 2 per share .The estimated growth of the company is 5% per year .You are required to determine per as Gordons Model

1) The cost of equity capital of the company
2) The estimated market price of the share if the anticipated growth rate of the firm rises to 8%

c) Explain internal growth rate and sustainable growth rate

Q7) Any two from (a) or (b)(c)————— **10 Marks**

A) The following are the balance sheets of Jay Ltd and Vijay Ltd. as on 31st March 2015

Particulars	Jay Ltd	Vijay Ltd
Liabilities	Rs. in Lakhs	Rs. in Lakhs
Equity share capital (Rs10 each)	40	18
General Reserve	50	10
Profit and loss account	30	8
12% debentures	35	--
creditors	20	10
Bills Payables	5	4
Assets		
Fixed assets	70	30
Investments	50	---
Current assets	60	20
	180	50

The board of directors of Jay Ltd approved a takeover of Vijay Ltd as on 30th September 2015Find out the ratio of exchange of shares on the basis of book values

B) Explain various methods or techniques of financial forecasting.