

Roll No.

Total No. of Pages : 03

Total No. of Questions : 09

B.Com. (Hons.) (Sem.-5)

ADVANCED FINANCIAL MANAGEMENT

Subject Code : BCOP-512-18

M.Code : 78176

Date of Examination : 21-12-22

Time : 3 Hrs.

Max. Marks : 60

INSTRUCTIONS TO CANDIDATES :

- 1. SECTION-A is COMPULSORY consisting of TEN questions carrying TWO marks each.**
- 2. SECTIONS-B consists of FOUR Sub-sections : Units-I, II, III & IV.**
- 3. Each Sub-section contains TWO questions each, carrying TEN marks each.**
- 4. Student has to attempt any ONE question from each Sub-section.**

SECTION-A

1. Write briefly :

- a) What is the need of financial advisor?
- b) What are the limitations of high leverage?
- c) How equity capital differ from preference capital?
- d) Discuss in detail dividend valuation.
- e) Define reverse takeover.
- f) What do you mean by profit maximization?
- g) Define preference capital.
- h) Define management buyout.
- i) Define transaction cost theory.
- j) How capital structures differ from financial structure?

SECTION-B

UNIT-I

2. Discuss in detail objective, function and scope of financial strategy. What have been the key developments reforms for the ratio analysis and strategy and gearing consideration in financial sector?
3. What do you mean by securitization? Discuss in detail types, advantage and disadvantages and methods and current scenario of securitization.

UNIT-II

4. Explain the position of M-M on the issue of an optimum capital structure, ignoring the corporate income taxes. Use an illustration to show how homemade leverage by an individual investor can replicate same risk and return as provided by the levered firm.
5. Discuss in detail concept of agency problem faced by stakeholders in the corporation. What are the factors responsible for agency problem in the corporation? How it can be resolved ethically?

UNIT-III

6. The scientists at spectrum have come up with an electric moped. The firm is ready for pilot production and test marketing. This will cost Rs. 20 million and take six months. Management believes that there is a 70% chance that the pilot production and test marketing will be successful. In the case of success, spectrum can build a plant costing Rs. 150 million. The plant will generate an annual cash inflow of Rs. 30 million for 20 years if the demand is high or an annual cash inflow of Rs. 20 million if the demand is low. High demand has a probability of 0.6 and Low demand has a probability of 0.4. What is the optimal course of action using decision tree analysis?
7.
 - a) The earnings per share of a company are Rs.10. It has an internal rate of return of 15 percent and the capitalization rate of its risk class is 12.5 percent. If Walter's model is used : (i) What should be the optimum payout ratio of the firm? (ii) What should be the price of the share at this payout? (iii) How shall price of the share be affected if a different payout were employed?
 - b) What is Modigliani Miller's Irrelevance hypothesis? Critically evaluate its assumption.

UNIT-IV

8. Define the concept, nature and need of unbundling divestment. What factors would you take into consideration in management buy out and buy in, share repurchase of a concern? Explain in detail methods of going private.
9. Define financial restructuring? What are the various methods financial restructuring. Explain its significance in financial decision making. How sick units can be revived?

NOTE : Disclosure of Identity by writing Mobile No. or Marking of passing request on any paper of Answer Sheet will lead to UMC against the Student.