



# Sanjay Ghodawat University, Kolhapur

2018-19

Established as State Private University under Govt. of Maharashtra. Act No XL, 2017

**Year and Program:- SY MBA      School of Commerce and Management      Department: Management**

**Course Code:- MMC FM 610      Course Title: Advance Financial Management      Semester – IV**

**Day and Date Saturday 25-05-2019      End Semester Examination      Time: 3 hrs, Max Marks: 100  
2.30 to 5.30 pm**

- Instructions:**
- 1) All Questions are compulsory.
  - 2) Assume figures whenever required

	Marks	COs	Blooms Level
Q.1 Answer/Solve the following			
a) Discuss the role of Accounting Standard Board	10	CO1	L2
b) The following data relate to two companies belonging to the same risk class:	10	CO2	L3

Particulars	X ltd.	Y ltd.
Total Assets	Rs.12,00,000	Rs.12,00,000
Rate of Return on Total Assets	25%	25%
10% Debt	Rs.9,00,000	-----
Equity Capitalization Rate	-----	15%

You are required to

- a) Determine Equilibrium Value, Weighted Average Cost of Capital for each company assuming no taxes as per MM approach.
  - b) Determine Equilibrium Value, Weighted Average Cost of Capital for each company assuming 40% corporate taxes as per MM approach
- OR

- |   |    |     |    |
|---|----|-----|----|
| b) Illustrate Modiglian and Miller approach | 10 | CO2 | L3 |
|---|----|-----|----|

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Answer/Solve the following

Q.2

- a) A firm can make investment in either of the following two projects. The firm anticipates its cost of capital to be 10% and the net (after tax) cash flows of the projects for five years are as below:- 10 CO3 L4

Year	0	1	2	3	4	5
Project A	(500)	85	200	240	220	70
Project B	(500)	480	100	70	30	20

The discount factors are as under:-

Year	0	1	2	3	4	5
PVF(10%)	1	0.91	0.83	0.75	0.68	0.62
PVF (20%)	1	0.83	0.69	0.58	0.48	0.41

You are required to analyze using NPV and IRR method and State the reasons which project you would recommend and why?

- b) Illustrate international cash management with suitable example 10 CO4 L3  
OR  
b) Illustrate advantages of centralized cash management 10 CO4 L3

Q.3 Answer/Solve the following

- a) Illustrate the international receivable management with its importance. 10 CO5 L3  
OR  
a) Illustrate international factoring with its features. 10 CO5 L3

Q.4 Answer/Solve the following

- a) Examine the superiority of Economic Value Added. 10 CO6 L4  
b) Discuss the benefits and limitations of using Economic Value Added. 10 CO6 L2  
c) ABC Ltd has three divisions, A, B & C. The operating results are as follows 10 CO6 L3

Particular	A	B	C
Sales	500000	500000	1000000
Less; Cost	400000	300000	600000
Profit	100000	200000	400000
Investment	300000	500000	1500000

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1. You are required to determine ROI of three divisions on basis of their performance
2. Determine residual income of three divisions assuming cost of capital is 15%

OR

- c) Illustrate Punjab National Bank scam done by Nirav Modi, how system was compromised with fraud by taking disadvantages of letter of credit. 10 CO6 L3

Q.5 Practical oriented question(s)/Applied question

- a) Appraise intra- corporate funding with its benefits and limitations. 10 CO5 L5
- b) XPRO India Ltd. has three divisions. It is considering making additional investment in one of these divisions. 10 CO5 L6

Particular	X	Y	Z
Additional Investment	500000	500000	1000000
Net Profit on Additional Investment	70000	65000	85000
Current ROI	15%	16%	14%

The cost of capital is 12%. Plan out in which division investment should be made?

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