



**AW-7654**

Seat No. \_\_\_\_\_

**Third Year B. B. A. Examination**

**March / April - 2016**

**Advanced Financial Management**  
*(Old Course)*

Time : 3 Hours]

[Total Marks : 100

**Instruction :** Q. 1 is compulsory.

**1** PARAM Co Ltd. is considering investing in a project **20** requiring a capital outlay of Rs. 2,00,000. Forecast for annual income after depreciation but before tax is as follows :

Year	1	2	3	4	5
Rs.	1,00,000	1,00,000	80,000	80,000	40,000

Depreciation may be taken as 20% on original cost and taxation at 50% of net income. You are required to evaluate the project according to each of the following methods

- (1) Pay Back Method
- (2) Rate of Return on original investment method
- (3) Rate of Return on average investment method.
- (4) Discounted cash flow method taking cost of capital as 10%.
- (5) Net present value index method.

Year	1	2	3	4	5
Discount Factor @ 10%	0.909	0.826	0.751	0.683	0.621

**2** The assets of Raj Ltd. are Rs. 1,60,000 for which funds **20** have been raised as follows :

Equity Share of	Rs. 90,000
Debentures	Rs. 52,000
General Reserve	Rs. 18,000
<b><u>1,60,000</u></b>	

The company profit after interest and taxes for the year ending on 31.3.2015 is Rs. 13,500. It pays 8% interest on Debentures and pays 50% tax on its profit. Its equity shares are of Rs. 100 each and there are 900 shares in all, whose market value is Rs. 120. Find out the weighted average cost of capital of the company.

**OR**

**2** What are the reasons for mergers ? Discuss the various steps and tax implications in a merger. **20**

**3** What do you understand by Optimum Capital Structure ? Explain NI, NOI and M.M. approaches to Capital Structure. **20**

**OR**

**3** (a) What is Right Financing ? Describe in detail procedure of Right Financing. **10**

(b) Project Execution and Monitoring. **10**

**4** What do you mean by working capital ? Explain the role of Commercial Banks in meeting requirement of Working Capital. **20**

**OR**

**4** (a) Role of profit planning as an instrument of control. **10**

(b) Underwriting. **10**

**5** Write on : (any two) **20**

(1) Cost Escalation

(2) Marketing of Corporate Securities

(3) Non Monetary aspects of project

(4) Project Profile

(5) MIS with respect to financial area.

(6) Valuation of securities.