



RB-7654

Seat No. _____

Third Year B. B. A. Examination
March/April – 2011
Advanced Financial Management

Time : 3 Hours]

[Total Marks :100

Instruction : Q-1 is Compulsory.

- 1 Coal India Ltd. is considering investing in a capital project which will cost Rs. 1,00,000. The project will require an increase in the inventories and receivables of Rs. 50,000. The project will generate additional sales of Rs. 1,00,000 p.a. and will require cash expenses of Rs. 30,000 in each year of its 5 year life. It will be depreciated on a straight line basis. The tax rate of the company is 50% and 10% after tax cost of capital. Calculate NPV and IRR for the project. **20**

- 2 The assets of CORAS Ltd. are Rs. 1,60,000 for which funds have been raised as follows : **20**
- | | |
|-----------------|-------------------|
| Debentures | Rs. 52,000 |
| Equity shares | Rs. 90,000 and |
| General Reserve | <u>Rs. 18,000</u> |
| Total | Rs. 1,60,000 |

The company's profit after interest and taxes for the year ending on 31-3-2010 is Rs. 13,500. It pays 8% interest on debentures and pays 50% tax on its profit. Its equity share 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.

OR

- 2 (a) Write on : Marketing of Corporate Securities. **10**
(b) Write on : Listing of securities. **10**

RB-7654]

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3 What does optimum capital structure mean ? Explain various approaches (NI, NOI, Traditional, M.M) to capital structure. **20**

OR

3 Write in detail on : Mergers and Acquisition. **20**

4 Write on :

(i) Tandon Study Group. **10**

(ii) Chore Committee **10**

OR

4 Write on :

(i) Valuation of Securities **10**

(ii) Evaluation the non-monetary aspect of project. **10**

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

(i) Project execution and monitoring.

(ii) Right issues : Private placement and public issues.

(iii) Role of project planning as an instrument of control

(iv) MIS with respect to finance area.