

[A-27/A-28]

SEAT No. \_\_\_\_\_

No. of Printed Pages : 02

SARDAR PATEL UNIVERSITY

B.B.A. (General)– Sixth Semester Examination

Friday, 12<sup>th</sup> April 2019, 02-00 P.M. TO 04-00 P.M.

Subject: Advanced Financial Management – II

Subject Code: UM06EBBA02/07

Total Marks: 60

Note: Figures to the right indicate marks.

Q.1 (a) Give meaning of capital structure and discuss its importance. (7)

(b) Company "X" and "Y" belong to same risk class. Former is levered while later is unlevered company. The capital structure of the X includes 12% debt of Rs.500000. The total assets of both the companies are worth Rs.1200000, and both earn 16% return before taxes and interest. If tax rate is 50% and cost of equity capital is 15%.

Calculate value of both company using Net Income Approach....(08)

OR

Q.1(a) Explain : Determinants of capital structure ..(07)

(b) What is Traditional approach to capital structure planning? Explain with numerical example. (08)

Q.2 (a) Discuss : Forms of dividend payment. (07)

(b) From the following information of A Ltd, determine the market value of equity share as per Gordon's model if retention ratio is i..20% ii..40% (08)

Particulars	Amount (Rs)
Earnings of the company(EPS)	10
Rate of Return on Investments(r)	12%
Cost of Equity (Ke)	10%

OR

Q.2 (a) Narrate the importance of dividend policy in financial management. (07)

(b) Discuss "Walter's Model" of dividend decision with numerical example..(08)

Q.3 (a) Explain: RADR Approach to investment decision. (07)

(1)

(P.T.O.)

(b) The following data is available of investment proposal of Amarnath Logistics Ltd...(08)

YEAR	EXPECTED CFAT	CERTAINTY – EQUIVALENT QUOTIENT
0	-150000	1.0
1	60000	0.7
2	40000	0.8
3	120000	0.5
4	160000	0.3
5	180000	0.2

Company's cost of equity capital is 14 %, Cost of debt is 12% and risk free rate is 8%. You are required to evaluate the proposal using certainty equivalent approach to investment decision.

OR

Q.3 (a) Write Note on : CAPM Approach..(07)

(b) Discuss ; Decision tree approach to investment decision with numerical illustration.... (08)

Q.4 What is foreign exchange market ? Explain how exchange rates are determined... (15)

OR

Q.4 Narrate : Various techniques in practice in managing foreign exchange risk.. (15)

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