SARDAR PATEL UNIVERSITY

B.B.A.-VI TH SEMESTER (CBCS)
TUESDAY, 2ND APRIL 2019

10-00 AM TO 12-00 PM

ADVANCED FINANCIAL MANAGEMENT-II: UM06EBBA02

TOTAL MARKS: 60

Q-1

(A) Discuss the various factors affecting the capital structure. 07

(B) There are two firms 'A' and 'B' which are exactly identical except that A does not use any debt in its financing, while B has Rs. 2,50,000, 6% debentures in its financing. Both the firms have EBIT of Rs. 75,000 and the equity capitalization rate is 10%. Assuming the corporation tax is 50%, calculate the value of the firms assuming that all the MM assumptions are fulfilled. 08

OR

Q-1

(A) Write a detailed note on: Optimum capital structure. 07

(B) Assuming no tax, given EBIT, interest @ 10% and Ke as under, calculate the Market value and WACOC of each firm: 08

Firm	EBIT (Rs.)	INTEREST (Rs.)	Ke(%)
A	2,00,000	20,000	12
B	3,00,000	60,000	16
C	5,00,000	2,00,000	15
D	6,00,000	2,40,000	18

Q-2

(A) What is dividend? Explain the types of dividend. 07

(B) From the following data, calculate the MP of a share of under Walter's formula:
EPS = Rs. 10, DPS = Rs. 6, Ke = 18%, and r = 25%. 08

OR

Q-2

(A) Explain the factors affecting the dividend policy. 07

(B) Determine the price of the share using Gordon's Model from the following data:
r = 0.15, k = .10, EPS = Rs. 10 & Payout ratio is 0.4. 08

Q-3

(A) Clarify the concepts of Risk, Certainty and Uncertainty. How are they used in investment decision? 07

(B) There are two projects A and B. Each involves an investment of Rs. 50,000. The expected cash inflows and the certainly co-efficient are as under:

Year	Project A		Project B	
	Cash inflows (Rs.)	CEQ	Cash inflows (Rs.)	CEQ
1	35,000	.8	25,000	.9
2	30,000	.7	35,000	.8
3	20,000	.9	20,000	.7

Risk-free rate is 10%. Suggest which of the two projects should be preferred. 08

OR

Q-3

(A) Write a detailed note on: Decision tree analysis. 07

(B) A company is considering an investment which requires a current outlay of Rs. 25,000. From the following data calculate expected NPV & S.d. of NPVof the investment assuming cashflows as perfectly correlated and risk free interest rate of 8%. 08

Year	Expected Value	S.D.
1	12,000	5,000
2	10,000	6,000
3	9,000	5,000
4	8,000	6,000

Q-4 What is foreign exchange rate? Explain the different types of exchange rates. 15

OR

Q-4 Discuss the various foreign exchange risk management techniques. 15

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