Maharashtra Education Society's
Institute of Management & Career Courses, Pune (Autonomous)
End Term Question Paper
AY 2025-26
Semester: XX

[COPA-3.32] In Cycle 1

Course Code: SC-FIN-01 **Course Name: Advance Financial Management**
Time: 2 hours 30 mins **Total Marks: 50**
Instructions:

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i. **All questions are compulsory**
ii. **Use of Digital Calculator is allowed**

Question No. 1: **[10 Marks]**

The sales turnover and total cost of Arihant Ltd. Are as under…

Year	Sales in Rs.	Total Cost in Rs.
2023	75000/-	60000/-
2024	90000/-	71000/-

You are required to calculate,

a. Profit volume ratio
b. Fixed cost
c. Breakeven point
d. Variable cost for 2024

Question No. 2: **[10 Marks]**

The earning per share of the company is 35%. The equity capitalization rate is 12%. Internal rate of return on retained earnings is 25%. You are required to calculate using Gordon's model,

a. Optimum payout ratio of the company
b. Share price at optimum payout ratio
c. Market price per share if payout ratio say 55% or 80%

Question No. 3: Solve any Two of below (15 marks each) **[30 Marks]**

a) The following data related to two companies belonging to the same risk class:

Particulars	X Ltd	Y Ltd
Expected Net Operating Income	50000/-	50000/-
10% Debt	200000/-	--
Equity Capitalization Rate	12.5%	10%

Required: Use Net Income Approach

I. Determine the Total Value and the weighted average cost of capital for each company assuming no taxes.
II. State the effect on the total value and eighted average cost of capital in part I if x ltd. Has deided to raise the debt by Rs. 100000 and use the proceeds to buyback equity shares
III. State the effect on the Total value of Weighted Average cost of capital in part I if the X ltd. Has decided to issue the equity shares by Rs. 100000 and use the proceeds to redeem the debt.

b) The earning per share of a company are Rs. 10 and the rate of capitalization applicable to it is 10%. The company has before it the options of adopting a payout of 20% or 40% or 80%. Using Walters formula, compute the market value of the company share if the productivity of retained earnings is 20%, 10% and 8%. What inference can e have drawn from the above exercise?

c) From the following information of Reliance India Ltd. Prepare the fund flow statement. (all the values are in Rs.)

Liability	Amount		Assets	Amount	
	31 March 2019	31st March 2020		31 March 2019	31st March 2020
Equity capital	2060000	2200000	Goodwill	100000	80000
Debentures	1000000	648000	Land & Building	840000	132000
General reserve	400000	400000	Plandt & Machinary	1200000	1600000
Profit and Loss A/c	220000	380000	Debtors	600000	480000
Income Tax Privision	80000	220000	Stock	500000	420000
Creditors	100000	80000	Cash in Hand	600000	48000
Bills Payable	40000	60000	Preliminary Expenses	60000	40000
Total	**3900000**	**3988000**	**Total**	**3900000**	**3988000**

Following additional information is provided:

1. During the year 2019-20 a part of machinery costing Rs. 15000 (accumulated depreciation Rs. 5000) was sold for Rs. 6000
2. Dividend of Rs. 200000 was paid
3. Income tax was paid Rs. 100000
4. Depreciation provided for land and building Rs. 20000 and plant and machinery Rs. 100000