

Total No. of Questions : 7]

SEAT No. :

**P1725****[4770] - 304****[Total No. of Pages :3****M.B.A.****FINANCIAL MANAGEMENT (Specialisation - I)****303 - B : Advanced Financial Management****(Semester - III) (2008 Pattern)****Time : 3 Hours]****[Max. Marks : 70****Instructions to the candidates:**

- 1) Solve any 5 questions.
- 2) All questions carry equal marks.
- 3) Use of non programmable calculator is allowed.

**Q1)** What is EVA? Explain in brief how it is calculated. On what factors EVA changes? **[14]**

**Q2)** Write a short note: **[14]**

- a) Net Income Approach of Capital Structure.
- b) Internal Rate of Return.
- c) Tandon Committee recommendations on Working Capital.

**Q3)** From the following particulars, Kaka limited wants you to prepare the Balance Sheet. **[14]**

Current Ratio	2
Working Capital	4,00,000
Capital Block to Current Assets	3:2
Fixed Assets to Turnover	1:3
Cash Sales to Credit Sales	1:2
Debentures / Share Capital	1:2
Stock velocity	2 months
Creditors' velocity	2 months
Debtors' velocity	3 months
Gross Profit Ratio	25% on sales
Net Profit	10% of Turnover
Reserve	2.5% of Turnover

**P.T.O.**

**Q4)** From the Balance Sheets of Mama Limited, prepare Funds Flow Statement.

Liabilities	31.03.13	31.03.14	Assets	31.03.13	31.03.14
Share Capital	3,00,000	4,00,000	Goodwill	1,00,000	80,000
8% Redeemable					
Pref. Share Cap.	1,50,000	1,00,000	L & B	2,00,000	1,70,000
Capital Reserve	-----	20,000	Plant	80,000	2,00,000
General Reserve	40,000	50,000	Investments	20,000	30,000
P & L Account	30,000	48,000	Debtors	1,40,000	1,70,000
Proposed Dividend	42,000	50,000	Stock	77,000	1,09,000
Creditors	25,000	47,000	BR	20,000	30,000
BP	20,000	16,000	Cash in hand	15,000	10,000
O/s Expenses	30,000	36,000	Cash in Bank	10,000	8,000
Taxation Provision	40,000	50,000	Preliminary Exps.	15,000	10,000
Total	6,77,000	8,17,000	Total	6,77,000	8,17,000

- A piece of land has been sold on 2013-14 and a profit on sale has been carried forward to the Reserve.
- Machine is sold in 2013-14 for 10,000 WDV of which was 12,000. Depreciation of 10,000 was charged on the same in 2013-14.
- Investments are Trade Investments. Dividend of 3000 is received including 1000 from preacquisition profit which is being credited to Investment Account.
- An Interim dividend of 20,000 has been paid in 2013-14.

**[14]**

**Q5)** Company has to make a choice from three mutually exclusive projects A, B & C. All three projects do not have any salvage value and the life of the project is 5 years, 4 years and 3 years respectively. Company's required rate of return is 10% and anticipated Cash Flows after Taxation are as under:

Project A --- 50,000, 50,000, 50,000, 50,000, 1,90,000

Project B --- 80,000, 80,000, 80,000, 80,000

Project C --- 1,00,000, 1,00,000, 10,000

Rank each project applying : Payback, Average Rate of Return, NPV and IRR.

What would be the profitability Index if the Internal Rate of Return equaled the required return on investment? What is the significance of the profitability Index less than 1?

Recommend the project to be adopted with reason. **[14]**

**Q6)** Explain in detailed manner the recommendations on Working Capital by Tandon Committee and Chore Committee. **[14]**

**Q7)** With regard to Accounting Standard 13- Accounting for Investments, explain the following: **[14]**

- a) Types of investments and its costs and accounting.
- b) Carrying amount of Investments.
- c) Disclosure requirements.



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