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DCBC603

Reg. No. [ ]

VI Semester B.Com. (Regular) / TTM / I & AS Degree Examination, May/June - 2026

ADVANCED FINANCIAL MANAGEMENT

Paper : Com 6.3

(NEP Scheme F+R)

Time : 2½ Hours **Maximum Marks : 60**

Instructions to Candidates:

All answers should be written in English only.

SECTION - A

Answer any Five of the following sub-questions. Each sub-question carries 2 marks.
(5×2=10)

1. a) Give the meaning of cost of capital.

   b) What is sensitivity analysis?

   c) What is financial risk?

   d) If EBIT (Operating Profit is Rs. 1,50,000, cost of debt (Kd) is 8% cost of equity (Ke) is 12% and overall cost of capital (Ko) is 10%, calculate the value of the firm under NOI approach.

   e) Name the elements of inventory.

   f) State any four assumptions of Gordon's approach.

   g) What do you mean by Dividend decision?

SECTION - B

Answer any Four of the following questions. Each question carries 5 marks.
(4×5=20)

2. Explain the irrelevant concept of capital structure as per MM approach.

3. Explain various techniques of measuring risks.

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4. Given the following information:

Particulars	ABC Co. Ltd.,	XYZ Co. Ltd.,
EBIT	Rs. 2,50,000	Rs. 2,50,000
14% Debentures	Rs. 7,00,000	-
Tax Rate	40%	40%
Cost of equity capital (Ke)	18%	18%

Compute the value of ABC Ltd., and XYZ Co. Ltd., using Net Income (NI) approach.

5. ABC and Co. is considering a project which costs Rs. 70,000 and the details of cash inflows are as follows:

Year	Cash Inflow
1	50,000
2	40,000
3	30,000
4	20,000

The risk free discount rate is 10% and calculate NPV. Discount factor at 10% for 1st year - 0.9091, 2nd year - 0.8264, 3rd year - 0.7513 and 4th year - 0.6830.

6. Prestige Ltd., provides the following information:

Opening receivables	Rs. 5,00,000
Ending receivables	Rs. 1,00,000
Sales on credit/Credit sales	Rs. 50,00,000
Sales returns	Rs. 10,00,000
Period analysed	365 days

Determine Debtors Turnover Ration (DTR) and Average Collection Period (ACP).

SECTION - C

Answer any Two of the following questions. Each question carries 12 marks.

(2×12=24)

7. The capital structure of Sharath Co. Ltd., comprises the following securities:

Sources of Fund	Book Value (Rs.)	Market Value (Rs.)	Specific Costs
Pref. share capital	2,50,000	2,75,000	8%
Equity share capital	15,00,000	22,50,000	15%
Retained earnings	5,00,000	6,25,000	13%
Debentures	10,00,000	8,50,000	5%

Calculate the WACC by using:

a) Book value weights.

b) Market value weights.

8. The earning per share of a company is Rs. 8 and the rate of capitalisation applicable to the company is 10%.

The company has an option of adopting a dividend payout ratio of

a) 25% or

b) 50% or

c) 75%.

Using Walter's formula of dividend payout, compute the market value of the company's share, if the internal rate of return is

a) 15% and

b) 10%.

9. What are Account Receivables? Explain the factors influencing the six of receivables.

SECTION - D

Answer any One of the following questions. This question carries 6 marks.

(1×6=6)

10. List any six inventory techniques.

11. Calculate the different ratio's under receivable management using imaginary figures.