M.PHIL. DEGREE EXAMINATION,FEBRUARY 2020
I YEAR I SEMESTER
Advanced Financial Management

Time : 3 Hours **Max.marks :75**

Section A $(5 \times 15 = 75)$ Marks

Answer any **FIVE** questions

1. What is Financial Management? State its Objectives. Explain the Functional areas of Financial Management.

2. Project X initially costs Rs. 25,000. It generates the following cash flows:

Year	Cash Inflows (Rs)	Present value of Re.1 at 10%
1	9,000	.909
2	8,000	.826
3	7,000	.751
4	6,000	.683
5	5,000	.621

Determine (a) Pay Back Period, (b) Net Present Value and (c) Profitability Index

3. Following are the details regarding three companies A Ltd, B Ltd and C Ltd:

A Ltd	B Ltd	C Ltd
r = 15%	r = 5%	R = 10%
ke = 10%	ke = 10%	ke = 10%
E = Rs. 8	E = Rs. 8	E = Rs. 8

Calculate the value of an equity share of each of these companies applying Walters formula when dividend pay-out ratio is (a) 50% (b) 75% and (c) 25%

4. What is Merger? Discuss the different Forms of Mergers.

5. Discuss the techniques of Hedging Foreign Exchange Risk.

6. Explain Markowitz Portfolio Theory

7. A Ltd. has a Share Capital of Rs. 1,00,000 dividend into shares of Rs. 10 each. It has major expansion programme requiring an investment of another Rs. 50,000. The management is considering the following alternatives for raising this amount:

   (i) Issue of 5,000 Equity Shares of Rs. 10 each.

   (ii) Issue of 5,000. 12% Preference Shares of Rs. 10 each.

   (iii) Issues of 10% Debentures of Rs. 50,000.

The companys present Earnings Before Interest and Tax (EBIT) are Rs. 40,000 p.a. You are required to calculate the effect of each of the above mode on financing of the earnings per share (EPS) presuming:

(a) EBIT continues to be the same even after expansion.

(b) EBIT increases by Rs. 10,000.

8. Discuss the Regulations of SEBI regarding Capital Issues and Stock Exchanges.

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