12MPCO2

M.PHIL. (COMMERCE) DEGREE EXAMINATIONS, EVEN SEMESTER 2021

I YEAR I SEMESTER

Advanced Financial Management

Maximum Marks : 75

SECTION – A (5 X 15 = 75 marks)

(Answer any FIVE questions)

1. Explain the rules laid down by SEBI in regulating Capital Issues and Stock Exchanges.
2. Distinguish between Net Income Approach and Net Operating Income Approach
3. What is Merger? State its Motives. Explain the different Forms of Merger.
4. Explain the relationship between Interest rates, Inflation Rates and Exchange Rates
5. Explain Capital Asset Pricing Model.
6. Discuss the different methods of Evaluating Investment Proposal
7. Details regarding three companies are given below:

X Ltd	Y Ltd	Z Ltd
r = 15%	r = 10%	R = 8%
ke = 10%	ke = 10%	ke = 10%
E = Rs.100	E = Rs.100	E = Rs.100

By using Walter's Model you are required to calculate the value of an equity share of each of these companies when dividend pay-out ratio is (a) 20% and (b) 50%.

8. Vimal Company has considered to invest in a project requiring a capital out lay of 2,00,000. Forecast for annual income after depreciation but before tax is as follows:

Year	Rs.
I	1,00,000
II	1,00,000
III	80,000
IV	80,000
V	40,000

Depreciation may be taken as 20% on original cost and taxation at 50% of net income. You are required to evaluate the project according to each of the following methods:

(a) Pay –back method
(b) Average Rate of Return on Original Investment Method
(c) Profitability Index Method
(d) Discounted Cash Flow Method taking cost of capital at 10%
The P.V. factors for I, II, III, IV and V years are: .909, .826, .751, .683 and .621 respectively.