

M.Com. Degree Examinations - Even Semester 2021  
II Year IV Semester  
Advanced Financial Management

Max Marks: 25

Answer any Five questions      (5 \* 5 = 25)

1. Describe the scope of financial management.
2. What is the balance in an account at the end of 10 years if Rs.2,500 is deposited today and the account earns 4% interest if compounded a) annually b) quarterly.
3. A company issued 10,000 10% debentures of Rs.100 each at par on 01.04.2012 to be matured on 01.04.2022. You are required to calculate the cost of its existing debt on 01.04.2017 when the market price of the debenture is Rs.80 assuming the tax rate as 35%.
4. Explain the M-M approach to the capital structure.
5. Amita Ltd has an operating income (EBIT) as Rs.5,00,000. The firm's cost of debt is 10% and currently the firm employs Rs.15,00,000 of debt. The overall cost of capital of the firm is 15%. You are required to calculate the value of the firm and the cost of equity.
6. From the following information find out the number of operating cycles in a year
 

a. Raw materials consumed	Rs.6,00,000
b. Average stock of raw materials	Rs.50,000
c. Work – in – progress inventory	Rs.5,00,000
d. Average work – in – progress inventory	Rs.30,000
e. Cost of goods sold during the year	Rs.8,00,000
f. Average finished goods stock held	Rs.40,000
g. Average collection period from debtors	45 days
h. Average credit period availed	30 days
i. No. of days in a year	360 days
7. A firm's details are as under
 

Sales (Rs.100 per unit)	Rs.24,00,000	Variable cost	50%
Fixed cost	Rs.10,00,000		

It has borrowed Rs.10,00,000 @ 10% p.a. and its equity share capital is Rs.10,00,000 (Rs.100 each). Tax rate is @ 50%. Compute operating leverage, financial leverage and combined leverage.