

Total No. of Questions – 10]
(2022)

[Total Pages : 3

9177

M.B.A. Examination

ADVANCED FINANCIAL MANAGEMENT

Paper : FM-07

(Semester-III)

Time : Three Hours]

[Maximum Marks : 60

The candidates shall limit their answers precisely within the answer-book (40 pages) issued to them and no supplementary/continuation sheet will be issued.

Note : Attempt five questions in all, selecting *one* question from each unit. Each question carries equal marks.

UNIT-I

1. Fintech Corporation is considering an investment in one of the two mutually exclusive proposals : Project A which involves an initial outlay Rs 1,70,000 and Project B which has an outlay of Rs. 1,50,000. The Certainty-Equivalent Approach is employed in evaluating risky investments. The current yield on treasury bills is 0.05 and the company uses it as the riskless rate. The expected values of net cash flows with their respective certainly-equivalents are:

9177/1000/777/964

224 [P.T.O.

Year	Project A		Project-B	
	Cash flow (Rs. thousand)	Certainty- Equivalent	Cash Flow (Rs. thousand)	Certainty- Equivalent
1	80	0.8	90	0.9
2	100	0.7	90	0.8
3	110	0.5	100	0.6

- (i) Which project should be acceptable to the company?
(ii) Which project is riskier? How do you know?
2. (a) What do you mean by risk? Differentiate between risk and uncertainty.
(b) A company has under consideration two mutually exclusive projects for increasing its plant capacity. The management has developed pessimistic, most likely and optimistic estimates of the annual cash flows associated with each project. The estimates are as follow :

	Project A	Project B
Net investment	Rs 30,000	30,000
CFAT estimates		
Pessimistic	1,200	3,700
Most likely	4,000	4,000
Optimistic	7,000	4,500.

- (a) Determine the NPV associated with each estimate given for both the project. The projects have 20 years life and the firm's cost of capital is 20 percent.
(b) Which project do you think should be selected by the company and why?

UNIT-II

- 3.** Why do firms need working capital? What are the sources of financing working capital?
- 4.** "Efficient cash management aims at maximising cash inflows and cash outflows". Discuss.

UNIT-III

- 5.** Discuss different tools and techniques of Inventory management.
- 6.** (a) What do you mean by 'terms of credit'?
(b) What are the different considerations in a credit policy?

UNIT-IV

- 7.** Write a detailed note on SEBI's Takeover Code.
- 8.** What do you mean by mergers? Discuss the objectives of mergers. How will you differentiate merger from amalgamation?

UNIT-V

- 9.** Describe and evaluate adjusted book value approach to corporate valuation.
- 10.** Discuss the steps involved in direct comparison approach to corporate evaluation. What are its limitations?