Total No. of Questions – 10] [Total Pages : 3

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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. What do you mean by risk? Discuss the methods used to measure the risk while taking long term investment decisions.

2. WYZ Ltd. is considering an investment in a project that requires an initial investment of Rs. 3,000 with an expected cash flow (CFAT) generated over three years as follows :

Period 1		Period 2		Period 3	
CFAT	Probability	CFAT	Probability	CFAT	Probability
Rs. 800	0.1	Rs. 800	0.1	Rs. 800	0.2
1,000	0.2	1,000	0.3	1,000	0.5
1,500	0.4	1,500	0.4	1,500	0.2
2,000	0.3	2,000	0.2	2,000	0.1

Assume that the probability distributions are independent and the risk free rate of interest is 5%. Calculate the standard deviation about the expected value.

UNIT–II

3. What do you understand by working capital management? Discuss the approaches to working capital management and the effect of different approaches on working capital financing policy.

4. (a) Explain the Baumol's model of cash management.
   (b) What are the motives of holding cash?

UNIT–III

5. (a) Discuss in detail the objectives of inventory management.
   (b) What do you mean by safety stock? What purpose does safety stock serve? What are the costs and benefits associated with safety stock?

6. What is credit management? What steps are involved in the process of credit evaluation?

UNIT–IV

7. What do you mean by mergers? What are the various types of mergers? Discuss the objectives of mergers.

8. Explain the important legal and procedural aspects involved in the process of merger or amalgamation.

UNIT–V

9. Describe and evaluate stock and debt approach to corporate valuation.

10. Explain the steps involved in discounted cash flow approach to corporate valuation.
