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Shree Damodar College of Commerce & Economics, Margao-Goa  
Post-Graduate Dept. of Commerce  
M.Com Part –I, Semester –I, Semester End Examination, January 2022  
COC 121: Advanced Financial Management (0A- 18A)

Duration: 3 hour

Marks: 60

**Instructions:**

1. This paper consists of Nine Questions carrying **Equal Marks**.
2. Question No. 1 consists of **5 compulsory Questions of 2 Marks Each**.
3. Answer **any 5** questions from Question 2, 3, 4, 5, 6, 7, 8, 9.
4. **Each** question carries **10** marks. Figures to the **right** indicate full marks.

Q.1. Answer the following in about 50- 80 words each:

(5 x 2 = 10 Marks)

a. Time value for money

b. Sensitivity analysis

c. Earnings management

d. Inventory management

e. Aryan Textiles Ltd. earns Rs 5 per share and is capitalized at 10%. It has a return on investment of 12%. It currently has 100,000 shares at Rs100 each the firm is contemplating the declaration of Rs5 as dividend at the end of the current financial year which has just begun. Using MM model determine the price of the share at the end of the year if dividend is paid.

Q.2. The goal of a financial manager is to keep the company or organization solvent and successful. In light of this statement discuss the scope of finance function. (10)

Q.3. Companies are not restricted to just one type of bond. Discuss in detail. (10)

Q.4.A. Operating lease differs from financial leases in various aspects. Elaborate with relevant examples. (5)

B. Capital budgeting is essential to all business. In light of this statement discuss the process of capital budgeting. (5)

Q.5. Capital budgeting can be done using various techniques. Explain with relevant examples. (10)

Q.6. ABC Ltd wants to invest in a project that costs Rs16,200 and is expected to generate cash inflows of Rs8,000; Rs7,000; Rs6,000 over its 3 years life. Calculate IRR. (10)

Year	13%	14%	15%	16%
1	0.885	0.877	0.870	0.862
2	1.668	1.647	1.626	1.605
3	2.361	2.322	2.283	2.246
4	2.974	2.914	2.855	2.798
5	3.517	3.433	3.352	3.274

Q.7. A. The management of the companies hold cash for various reasons. Discuss. (5)

B. State and explain the various types of bank finance available to businesses. (5)

Q.8. Zander Ltd., a newly formed company has applied for a loan to a commercial bank for financing its working capital requirements. You are requested by the bank to prepare and estimate the requirements of working capital for the company at 10% of your estimated figure to cover unforeseen contingencies. The information about the projected Profit & Loss account of this company is as under:

Particulars	Amount (Rs.)
Sales	21,00,000
Cost of goods sold	15,30,000
Gross Profit	5,70,000
Administration Expenses	1,40,000
Selling expenses	1,30,000
Profit before tax	3,00,000
Provision for tax	1,00,000
COGS has been derived as follows:	
Materials used	8,40,000
Wages & manufacturing expenses	6,25,000
Depreciation	2,35,000



Total	17,00,000
Less: Stock of finished goods (10% not yet sold)	1,70,000
	15,30,000

The figures given above relate only to the goods that have not been finished and goods equal to 15% of the years production (in terms of physical units) are in progress on an average, requiring full materials but only 40% of other expenses.

The company believes in keeping 2 months consumption of materials in stock. Desired cash balance is Rs 40,000. Average time lag in payment of all expenses is 1 month, suppliers of materials extends to 1.5 months credit, sales are 20% cash, rest are 2 months credit, 70% of the income tax has to be paid in advance in quarterly installments. You can make assumptions as you feel necessary for Working Capital requirements. (10)

**Q.9. A. Explain the concept of corporate fraud with real life example. (5)**

**B. Explain the ways of checking window dressing through earnings management. (5)**