Sanjay Ghodawat University, Kolhapur

2019-20

Established as State Private University under Govt. of Maharashtra. Act No XL, 2017

B.B.A.

Year and Program 2019-20, TYBBA | **School of Commerce and Management**

Course Code: MBCFIN307 | **Advanced Financial Management**

Day and Date Tuesday 26/11/19 | **End Semester Examination**

Semester – V

Time: 3 hrs, Max Marks: 100

10.30 am to 01.30 pm

Instructions: 1) Use of simple calculator is allowed

		Marks	Level	COs
Q.1	**Answer the following.**			
a)	**State whether following statement is True or False. (Any 5)**	**10**		
	i. Optimum capital structure at which the weighted average cost of capital is minimum.	**2**	L1	1
	ii. Capital structure is combination of debt and equity that leads to the maximum value of the firm.	**2**	L1	1
	iii. The objective of any management to maximize corporate value and shareholder wealth.	**2**	L1	2
	iv. A change in financial leverage will lead to a corresponding change in overall cost of capital as well as the total value of the firm.	**2**	L1	2
	v. Degree of financial leverage is percentage change in profits resulting from the percentage change in sales.	**2**	L1	3
	vi. High degree of operating leverage implies that a large change in profit occurs due to relatively small change in sales	**2**	L1	3
b)	**Answer the following questions shortly. (Any 5)**	**10**		
	i. What do you mean by merger?	**2**	L1	4
	ii. State the meaning of Acquisition.	**2**	L1	4
	iii. Write any two advantages of multinational centralized cash management.	**2**	L1	5
	iv. What do you mean by multilateral netting?	**2**	L1	5
	v. What is Dividend?	**2**	L1	6
	vi. Define dividend relevance.	**2**	L1	6
Q.2	**Answer the following.**			
a)	Explain in detail the meaning of Capital Structure Decision.	**10**	L2	1
	OR			
a)	Discuss importance of Capital Structure Management.	**10**	L2	1
	OR			
b)	Describe principles and techniques (approaches) of business valuation.	**10**	L2	2
	OR			
b)	Discuss valuation of goodwill with suitable example	**10**	L2	2

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Q.3		**Answer/Solve the following**			
	a)	Examine operating, financial and combined leverage.	**10**	L3	3
		OR			
	a)	Financial manager of XYZ ltd. accept that its EBIT in current year is Rs. 10000. The firm had 5% bond aggregating Rs. 40000, while 10% Pref. share amount to Rs 20000. What would be EPS? Assume 2 levels of EBIT, 6000 and 14000 also state effect of EPS. Assume that 35% tax rate and No. of ordinary shares is 1000.	**10**	L3	3
	b)	**i.** Analyze steps for successful merger.	**5**	L4	4
		ii. Sun Pharma and Ranbaxy Acquisition: This pharmaceutical deal is an example of a share swap deal. According to the deal, Ranbaxy shareholders would receive four shares for every five Sun pharma shares held by them. This leads to 16.4% dilution in the equity of Sun Pharma. The deal size was of $3,2 billion and was an all-share deal. The consolidated turnover of Sun pharma was of INR 11,326 crore and it acquired Ranbaxy a company with a turnover of INR 12,410 crore. Thus, Ranbaxy achieved a valuation of 2.2x times the last twelve month sales. The beauty of this deal is that a smaller size company acquired a bigger size company The value of Ranbaxy shares was INR 457 per share, this represents an 18% premium to the thirty-day volume on the weighted average share price. Find out probable motives behind this merger.	**5**	L5	4
		OR			
	b)	i. Analyse advantages and disadvantages of merger.	**5**	L4	4
		ii. Disney acquired 21st-century fox for $71.3 billion. This was a real shakeup for the entertainment business. This deal brought together two major giants of the entertainment world. Disney won this deal from its competitor Comcast and took nine months to get the necessary approval. This is one of the biggest deal in recent times. This deal will lead to lay if of more than 4000 jobs. Assets changing hands in the deal include: ➢ 20th Century Fox ➢ Fox Searchlight Pictures ➢ Fox 2000 Pictures – Fox Family, ➢ National Geographic Partners ➢ Fox Networks Group International ➢ Indian channels like – Star India ➢ Fox's percentage interests in Hulu, Tata Sky, and Endemol Shine Group.	**5**	L5	4

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Analyze above case and state advantages and disadvantages of above merger.

Q.4 **Answer (any two) of the following.**

a)	Describe the advantages and Disadvantages of Centralized Cash Management?	**10**	L1	5
b)	Describe how efficient cash planning and budgeting helps in profit maximization of the firm.	**10**	L1	5
c)	Ketan Ltd. has its subsidiary units in USA, Germany and India. The data as follows	**10**	L1	5

	Paying affiliates		
Receiving	USA	Germany	India
USA	-	EUR. 15000	Rs. 8000000
Germany	$ 12000	-	Rs. 12000000
India	$15000	EUR.12000	

USD/INR= 70.124

EUR/ INR = 82.629

All three units owes certain amount to each other, the top finance manager have decided to find out tradeoff all three units with agreed currency in rupees.

Q.5 **Solve (any two) of the following.**

a)	Discuss relevance and irrelevance dividend decision with suitable example.	**10**	L2	6
b)	Discuss the bonus shares and stock split with respect to corporate dividend decision.	**10**	L2	6
c)	Interpret Walter's Approach for dividend.	**10**	L2	6

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