



**RAN-3458**

**T.Y. B.B.A. ( Semester VI) Examination**

**March / April - 2019**

**Advance Financial Management - II (New Course)**

**સૂચના : / Instructions**

(1)

નીચે દર્શાવેલ નિશાનીવાળી વિગતો ઉત્તરવહી પર અવશ્ય લખવી.  
Fill up strictly the details of signs on your answer book

Name of the Examination:

T.Y. B.B.A. ( Semester VI)

Name of the Subject :

Advance Financial Management - II (New Course)

Subject Code No.: 3 4 5 8

Seat No.:

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Student's Signature

(2) Figures to the right indicate full marks allocated to that question.

(3) All questions are compulsory.

**Q-1. Answer any five.**

**(10)**

1. List out two assumptions and formula of Walter's dividend decision model.
2. Define capital structure.
3. Why dividend decision is important for a company?
4. Write the proposition of traditional theory of capital structure.
5. What is LIBOR?
6. Define LBO.

**Q-2. Answer the following.**

**(12)**

- (a) Assuming the rate of return expected by investor is 11%, internal rate of return is 12% and earnings per share is Rs.15, calculate the price per share by Gordon Approach method if dividend payout ratio is 10% and 30%.

- (b) Two companies X and Y are identical except that company X is unlevered and company Y is levered company. The net operating income for both the companies is Rs. 50,000. Company Y has Rs. 2,00,000 debt of 5% and value of equity is Rs.3,60,000. Cost of equity for company X and Y is 10% and 11% respectively. The overall cost of capital for both the companies is 12.5%. using MM approach calculate the value of firm for both the companies.

**OR**

- (a) A company has outstanding 1,00,000 shares selling at Rs.100 each. The firm is considering to declare a dividend of Rs.5 per share at the end of current year. The firm's opportunity cost of capital is 10%. What will be the price of the share at the end of current year if (i) a dividend is declared and (ii) if dividend is not declared? Assuming that the firm pays the dividend, has net profits of Rs.10,00,000 and makes new investments of Rs. 20,00,000 during the period, how many new shares must be issued? Use MM model to answer.
- (b) Firm L and firm U are in the same risk class and are identical in every respect except that firm L is levered and firm U is unlevered. Firm L has 12% Rs. 4,00,000 debentures outstanding. Both firms earn 18% before interest and taxes on their total assets of Rs.8,00,000. Equity capitalization rate is 15%. Compute the total value of firm using NI approach.

**Q-3. Attempt any two. (14)**

1. Discuss various types of Mergers in detail.
2. Discuss the reasons of failure of corporate restructuring.
3. Explain corporate restructuring with the factors affecting it.

**Q-4. Answer any two. (14)**

1. Discuss Purchasing Power Parity.
2. What is International Parity Relationship? Explain any one method.
3. Discuss the factors affecting International Financial Market.

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