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Reg. No.

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VI Semester B.Com.(Regular)/(T&T)/(I&AS) Degree Examination,

June/July - 2025

COMMERCE

Advanced Financial Management

(NEP Scheme (F+R))

Paper : 6.3

Time : 2½ Hours

Maximum Marks : 60

Instructions to Candidates:

Answers should be completely written in English only.

SECTION - A

Answer any FIVE sub-questions. Each sub-question carries 2 marks. (5×2=10)

1. a) What do you mean by average collection period?
- b) Name the elements of inventory.
- c) What is meant by dividend policy?
- d) How do you define "capital structure"?
- e) Give the meaning of weighted average cost of capital.
- f) What is financial risk?
- g) Write any two assumptions of Walter's model of dividend theory.

SECTION - B

Answer any FOUR questions. Each question carries 5 marks. (4×5=20)

2. Which are the theories of capital structure? Write the assumptions of MM approach towards capital structure.
3. Briefly explain the significance of cost of capital.
4. PQR and Co. is considering a project which costs Rs. 60,000 and the details of cash inflows are as follows

1st year 40,000

2nd year 30,000

3rd year 20,000

4th year 10,000

[P.T.O.]



The concerned certainty equivalent co-efficient factors are estimated to be

1 st year 0.90	2 nd year 0.70
3 rd year 0.50	4 th year 0.30

The risk free discount rate is 10% and the PV factors at 10% are as follows

1 st year - 0.9091,	2 nd year - 0.8264,
3 rd year - 0.7513 and	4 th year - 0.6830

Should the project be accepted?

5. ABC Ltd., expects annual net operating income of Rs. 2,00,000. It has Rs. 5,00,000, 10% outstanding debt. According to the Net Operating Income approach,
- What would be the total value of the firm and the equity capitalisation rate, if the overall capitalisation rate is 12.5%.
 - What would be the effect on the total value of the firm and equity capitalisation rate if the firm increases the amount of debt from Rs. 5,00,000 to Rs. 7,50,000 and uses the proceeds of the debt to repurchase equity shares?
6. XYZ Co. Ltd., provides you the following information.
- | | |
|-----------------------------|--------------|
| Opening Bills payable | Rs. 62,500 |
| Opening Creditors | Rs. 57,500 |
| Closing Bills payable | Rs. 78,000 |
| Closing Creditors | Rs. 82,000 |
| Total purchase for the year | Rs. 5,85,000 |
| Cash purchases for the year | Rs. 25,000 |

Calculate.

- Creditors turnover ratio.
- Average payment period in terms of months and days.

SECTION - C

Answer any TWO questions. Each question carries 12 marks. (2×12=24)

7. A Company has on its books the following amounts and specific costs of each type of capital.

Type of capital	Book Value (Rs.)	Market Value (Rs.)	Specific Costs %
Equity	30,00,000	48,00,000	15
Preference	5,00,000	8,00,000	8
Debenture	20,00,000	24,00,000	10(after tax)
Retained earnings	5,00,000	-	12
	60,00,000	80,00,000	

Determine the weighted average cost of capital using

- Book value weights, and
- Market value weights.



8. What is inventory management? Explain the techniques of inventory management.
9. The earning per share of a company is Rs. 8 and the rate of capitalisation applicable to the company is 10%.

The company has an option of adopting a dividend payout ratio of

- a) 25% or b) 50% or c) 75%.

Using Walter's formula of dividend payout, compute the market value of the company's share, if the internal rate of return is

- i) 15% ii) 10% and iii) 5%.

SECTION - D

Answer any One question. It carries 6 marks.

(1×6=6)

10. Compare Net Income Approach and Net Operating Income Approach.
11. By using imaginary figures,

Compute:

- a) Debtors turnover ratio.
- b) Average collection period.
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