

**COURSE CODE - 6040101**

**M.PHIL DEGREE EXAMINATION - JAN 2009**

**M.PHIL (COMMERCE)**

**ADVANCED FINANCIAL MANAGEMENT**

**(For Candidate admitted from calendar 2007 on wards)**

**Time: 3 Hours**

**Max. Marks: 100**

**Section - A**

**Answer ALL the Questions:**

**10 X 3 = 30**

1. Define finance function?
2. What is optimum capital structure?
3. Define Fund Flow Analysis?
4. What is Break Even Analysis?
5. What are the sources of short-term financing?
6. Define Provident Fund?
7. What do you mean by capital rationing?
8. What is meant by Ratio Analysis?
9. Define Leverage?
10. Define MIRR?

**Section - B**

**Answer any FIVE Questions:**

**5 X 6 = 30**

11. What are the key activities of a Financial Manager? Discuss the challenges faced by him in India?
12. What is Balance Sheet? Explain its types?
13. a. Explain the principles of cash flow estimation?  
b. The following are the net cash flows of an investment project:

Cash Flows (Rs)		
$C_0$	$C_1$	$C_2$
-8,400	+4600	+10,400

Calculate the net present value of the project at 10%, 20% and 40% discount rates.

14. Explain the factors that effect choice of debt in the capital structure of a firm?
15. What is Money Market? Explain the characteristics and types of money market?
16. State the assumptions of Modigliani and Miller's hypothesis on capital structure?
17. If equipment costs Rs. 5, 00,000 and lasts 8 years, what should be the minimum annual cash inflow to consider if worthwhile to purchase the equipment? Assume that the cost capital is 10 per cent?
18. What is simulation approach to investment decision-making? What are its pros and cons?

### Section - C

Answer any TWO Questions:

2 X 20 = 40

19. Briefly explain and illustrate the concept of 'time value of money'.

State its relevance in different areas of financial decision-making?

20. A company is considering two mutually exclusive projects X and Y.

Project X costs Rs. 30,000 and project Y Rs. 36,000. You have been given below the net present value estimates and probability distribution for each project:

Project - X

Project - Y

NPV Estimate	Probability	NPV Estimate	Probability
Rs. 3,000	0.1	Rs. 3,000	0.2
Rs. 6,000	0.4	Rs. 6,000	0.3
Rs. 12,000	0.4	Rs. 12,000	0.3
Rs. 15,000	0.1	Rs. 15,000	0.2

- Compute the expected net present value of projects X and Y?
  - Compute the risk attached to each project that is, standard deviation of each probability distribution?
  - Which project do you consider more risky and why?
  - Compute the profitability index of each project?
21. Identify the objectives of working capital management in terms of liquidity and profitability, and discuss the conflict between them?