



HF-010-001508 Seat No. _____

B. B. A. (Sem. V) (CBCS) Examination

May / June – 2017

Advanced Financial Management : I

Faculty Code : 010

Subject Code : 001508

Time : $2\frac{1}{2}$ Hours]

[Total Marks : 70

1 "Traditional approach to the capital structure is an intermediate approach." Discuss. 14

OR

1 "Capital structure decision does not affect the value of firm." Discuss the statement in the context of Modigliani and Miller approach. 14

2 Discuss two models explaining relevance of dividend policy decision. 14

OR

2 Discuss in detail Modigliani Miller approach to dividend policy decision. Also criticize the contribution of Modigliani Miller. 14

3 What do you mean by receivables management? Explain in detail objectives of receivable management. 14

OR

3 Discuss in detail elements of receivables management. 14

4 What is cash management? What are the motives for holding cash? What are the objectives of cash management? Discuss cash budget as a tool of cash management. 14

OR

4 Sunrise Limited requires Rs. 60 lakhs in cash to meet its transaction needs during the next three-month cash planning period. It holds marketable securities of an equal amount. The annual yield on these marketable securities is 20%. The 14

conversion of these securities into cash entails a fixed cost of Rs. 6,000 per transaction. Using Baumol model, compute the amount of marketable securities converted into cash per order. Assuming Sunrise Limited sell its marketable securities in any of the five lot size : Rs. 3,00,000; 6,00,000; 12,00,000; 15,00,000; and 30,00,000, prepare a table indicating the economic lot size using numerical analysis.

- 5** What is inventory management? What is selective inventory control? Explain in detail any two selective inventory control techniques. **14**

OR

- 5** ABCD Limited produces a product which has a monthly demand of 4,000 units. The product requires a component X which is purchased at Rs. 20. For every finished product, one unit of component is required. The ordering cost is Rs. 120 per order and the holding cost is 10% per annum.

You are required to calculate :

- (1) Economic order quantity. **6**
(2) If the minimum lot size to be supplied is 4,000 units, what is the extra cost the company has to incur? **8**
