



BCL-010-001508

Seat No. _____

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

August - 2021

Advanced Financial Management - I

(Old Course)

Faculty Code : 010

Subject Code : 001508

Time : $2\frac{1}{2}$ Hours] [Total Marks : **70**

1 Discuss in detail NI approach to capital structure decision. **14**

OR

Discuss factors influencing capital structure decision in practice. **14**

2 Explain in detail MM model in the context of dividend policy decision. **14**

OR

Discuss stable dividend policy in detail. Also explain corporate dividend behaviour. **14**

3 Write a note on decision areas of receivables management. **14**

OR

Sunflower Ltd. has at present annual sales level of **14** Rs.10,000 units at Rs. 300 per unit. The variable cost is Rs.200 per unit and fixed cost amount to Rs.4,00,000 per annum. The present credit period allowed by the company is 1 month. The company is considering a proposal to increase the credit period to 2 months and 3 months and has made the following estimates:

	Existing	Proposed	
Credit period (month)	1	2	3
Increase in sales (%)	-	15	25
Bad debts (%)	2	3	4

There will be increase in fixed cost by Rs. 60,000 14
on account of increase in sales beyond 20 per cent of present
level. The company plans a pre-tax return of 20% on investment
in receivables.

You are required to calculate the most profitable credit policy
for the company.

- 4 What are motives for holding cash ? Also explain 14
importance of cash management.

OR

Everstar Limited requires Rs. 90 lakhs in cash to 14
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 conversion of these securities into cash entails a fixed cost
of Rs. 4,000 per transaction. Using Baumol model, compute the
amount of marketable securities converted into cash per order.
Assuming Everstar Limited can sell its marketable securities in
any of the five lot sizes : Rs. 5,00,000; 10,00,000; 15,00,000;
30,00,000 and 45,00,000, prepare a table indicating the economic
lot size using numerical analysis.

- 5 Discuss any two inventory control method. 14

OR

XYZ Limited produces a product which has a
monthly demand of 2,000 units. The product requires a component
X which is purchased at Rs. 10. For every finished product, one
unit of component is required. The ordering cost is Rs. 30 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 2,000 8
units, what is the extra cost the company has to
incur ?