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T.Y.BBA (Sem.-V) Examination November - 2025

Advanced Financial Management

સૂચના : / Instructions

(1) ઉપરોક્ત દર્શાવેલ વિગતો ઉત્તરવહી પર અવશ્ય લખવી.
Fill up strictly the above details on your answer book

Seat No.:

Student's Signature

SET - 1

Q.1. Answer the following questions in short; (ANY SEVEN) **14**

1. List out dividend decision relevance models.
2. Define capital structure.
3. Define cost of capital.
4. Explain importance of valuation.
5. Give formula of Walter Model of Dividend decision.
6. What is YTM?
7. Differentiate NI and NOI approaches of capital structure.
8. What is CAPM?
9. Expiain explicit cost.
10. The company has paid a dividend of Rs. 3.70 last year. The expected growth rate for indefinite period is 8%. Thecompany's cost of capital is 12%. Determine share's price today.

Q.2. Margi Ltd. is going for expansion of assets and for that company wants Rs. 20,00,000. There are two financing plans in consideration. The relevant information is as under: **14**

1. Total funds to be raised Rs. 20,00,000.

Plan	Equity (in %)	7% debenture (in %)	10% preference share (in %)
A	50	25	25
B	50	30	20

2. Par value of debenture is Rs. 100 and it can be issued at par. It will be redeemed after 5 years with discount of 10%.
3. Equity share will be issued at Rs. 200 per share. Flotation cost is Rs. 5. Last year, company has paid dividend on existing share of Rs. 2 per share and growth rate of dividend is approximately 5%.
4. Par value of preference share is Rs. 100 and it will be issued at par. It has maturity period of 10 years and it will be redeemed at par.

Corporate Tax rate is 35%. Determine the marginal WACC of all the plans. Which financing plan is the best from viewpoint of WACC and why?

OR

Q.2. Mayra Ltd. has the following capital structure as per the balance sheet on 31st March 2025. **14**

Particular	Rs. In Lakhs
Equity share capital (Fully paid share of Rs. 10 each)	4
18%Preference share capital (Fully paid of Rs. 100 each)	3
Retained earning	1
12.5% Debenture (Fully paid of Rs. 100 each)	8
12% Term Loan	4

Additional Information:

1. The current market price of the company's equity share is Rs. 64.25. The dividend expected on the equity share at the end of the year is at 80% which is expected to grow @5% p.a. forever.
2. The preference shares of the company which are redeemable after 10 years are currently selling at Rs. 90 per preference share.
3. The debenture of the company which are redeemable after 5 years are currently quoted at Rs. 95 per debenture.
4. Corporate tax rate is 30%.

Calculate the weighted average cost of capital using Book value weight and Market value weight.

Q.3. **Attempt any TWO:** **14**

a. Two firms Douli and Mouli are identical in all respects, including risk factors except for debt/equity. Douli has issued 10% debentures of Rs. 18 lakhs while Mouli has issued only equity. Both the firms earn 20% before the interest and taxes on their total assets of Rs. 30 lakhs'. Assuming a tax rate of 50% and capitalisation rate of 15% for an all equity firm. Compute the value of companies Douli and Mouli using Net Income approach.

b. Almora company has Net Operating Income of Rs. 500000. Company has Rs.1000000 outstanding debt@ 10%and overall capitalisation rate is 12.5%. What would be the value of firm and equity capitalisation rate? Assume no. of equity share is 20000.
   1. If debt is increase from Rs. 1000000 to Rs. 1300000, what happen in equity capitalisation rate?
   2. If debt is decrease from Rs. 1000000 to Rs. 700000, what happen in equity capitalisation rate?

c. Bistro Ltd. has EBIT of Rs. 400000. The firm currently has outstanding debts of Rs. 1500000 at an average cost, Kd, of 10%. Its cost of equity capital, Ke, is estimated to be 16%:
   1. Determine the value of firm using the traditional valuation approach.
   2. Determine the firm's overall capitalisation rate, Ko.
   3. The firm is considering to issue capital of Rs. 500000 in order to redeem Rs. 500000 debt. The cost of debt is expected to be unaffected. However, the firm's cost of equity capital is to be reduced to 14% as a result of decrease in leverage. Would you recommend the proposed action

d. Difference between NI and NOI approach of Capital Structure

Q.4. **Attempt any TWO:** **14**

a. The following information is available in respect of Josh Ltd;
Dividend per share at dividend payout ratio of 20% =Rs. 2. As per Gordon's model,

equity capitalization rate is 15%. Company earns Rs. 10 on every Rs. 100 invested. Determine the value of it's shares as per Gordon's approach.

b. Explain Stable Dividend Policy.

c. Explain factors affecting dividend Policy.

d. The Earning per share of a company is Rs. 4 and the Rate of return on investment is 18%. The capitalization Rate is 15%. What will be the price per share as per the Walter model, If the pay-out ratio is 40%; 50%.

Q.5. Write Short notes on ANY TWO: **14**

1. Equity Valuation
2. Significance of cost of capital
3. Forms of Dividend
4. Critically Examine MM approach of Capital Structure.