

Program: M.COM PART II Semester: IV Program Code: 2120361
 Course: Advanced Financial Management Course Code: 59314
 Duration: 2 Hours Examination Pattern: NEP - Autonomous- External Max. Marks: 50

Instructions:

1. All questions are compulsory.
2. Figures to the right indicate full marks.
3. Draw neat diagrams wherever necessary.

Examination:
REGULAR

Q. 1 Attempt the following (Any One).

[14]

- A. ABC Ltd is planning to invest in new project. The investment budget of the company is ₹40,00,000.

The company has following alternatives.

Particulars	Project A	Project B
Initial investment (₹)	25,00,000	25,00,000
Useful life	5 years	6 years
Cost of capital	10%	10%

Cost inflows at the end of the year for both the projects are given below:

Year	Project A	Project B
1	5,00,000	10,00,000
2	7,00,000	6,50,000
3	8,50,000	7,00,000
4	6,50,000	4,00,000
5	5,00,000	4,00,000
6		2,00,000

Evaluate which project the company should select on the basis of payback period, Net Present Value and Profitability Index.

OR

- B. Company requires an initial investment of ₹ 2,40,000. The estimated net cash flows are as follows:

Year	Net Cash Flow(₹)
1	42,000
2	42,000
3	42,000
4	42,000
5	42,000
6	48,000
7	60,000
8	90,000
9	60,000
10	24,000

Using 10% as the cost of capital (Rate of Discount) determine the following:

- 1) Pay Back Period.
- 2) Net Present Value.
- 3) Profitability Index.

Q.2 Attempt the following (Any One). [12]

A. What are the sources of risk in a project? State three main perspectives on risk.

OR

B. What do you mean by Decision tree analysis? State its merits and limitations.

Q.3 Attempt the following (Any One). [12]

A. A US based company wants to start its business in India. The initial investment will be ₹ 20,000 lakhs for machinery and manufacturing plant in India. The machinery and plant are depreciated in 4 years under straight-line method. The production cost shall be 70% of the revenue. You are required to compute the net profits or losses after tax for all 4 years for the said foreign company.

The applicable tax rate in India is 30% and 40% in the USA and there is a Double Taxation Avoidance Agreement between India and the USA. According to the agreement, tax credit shall be given in USA for the tax paid in India.

Share of sales and royalty amount receivable for 5 years are given as under:

Year	1	2	3	4
Share in Sales @ 50% (₹ Lakhs)	20,000	21,000	22,000	23,000
Total Royalty (₹ Lakhs)	500	600	700	800

OR

B. An Indian toy manufacturing company that has been successful in its business in India, wishes to start a similar business in Bhutan. The revenue and expenses for the 4 years in BTN are as below:

Year	1	2	3	4
Revenue	50	60	70	80
Expenses	30	36	42	48

The initial cost of machineries is BTN 80 crores to be written off in 4 years fully with no salvage value.

The tax rate in Bhutan is 25% whereas The tax rate in India is 30%.

WACC is 10% which is to be used as a discount rate.

Suggest whether the Indian company should start the business in Bhutan if there no significant restriction on foreign currency remittances and major fluctuations in exchange rates between currencies of two countries.

Q.4 Attempt the following (Any One). [12]

A. Twitter company estimates the following cash flows in 90 days at its subsidiaries as follows:

Net position in each currency measured in the parent's Currency (in 1,000 in units).

Subsidiary	Currency 1	Currency 2	Currency 3
A	200	(300)	(100)
B	100	(40)	(10)
C	(180)	200	(40)

Determine the consolidated net exposure of the MNC to each currency.

OR

B. What are the features of International Receivable Management for an MNC?