



**End Term (Even) Semester Examination May-June 2025**

Roll no....291021....

Name of the Program and semester: B.com (Hons) IV SEM

Name of the Course: Advanced Financial Management

Course Code: BCH 404 (F3)

Time: 3 hour

Maximum Marks: 100

**Note:**

- (i) All the questions are compulsory.
- (ii) Answer any two sub questions from a, b and c in each main question.
- (iii) Total marks for each question is 20 (twenty).
- (iv) Each sub-question carries 10 marks.

**Q1.**

(2X10=20 Marks)

- a. Examine the relationship between financial management and sustainable business practices? How do emerging trends such as ESG (Environmental, Social, and Governance) financing and Green Finance impact traditional financial decision-making? (CO2)
- b. Explain the significant decisions in Financial Management? Analyze how each decision contributes to the overall financial health and strategy of a business? (CO4)
- c. **Financial management is both a science and an art."** Critically analyze this statement by exploring the analytical tools used in financial decision-making and the judgment required by financial managers. (CO4)

**Q2.**

(2X10=20 Marks)

- a. XYZ Ltd. is considering investing in a new manufacturing plant. The project requires an initial investment of ₹5,00,000. It is expected to generate the following cash inflows over the next 5 years:(CO4)

Year 1: ₹1,20,000

Year 2: ₹1,40,000

Year 3: ₹1,60,000

Year 4: ₹1,80,000

Year 5: ₹2,00,000

The company's cost of capital is 10%.

- i) Calculate the Net Present Value (NPV) of the project.
- ii) Calculate the Profitability Index (PI).



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iii) Based on these results, advise whether XYZ Ltd. should accept the project.

b. Define and differentiate between Enterprise Value (EV) and Equity Value. Why are both metrics important in corporate finance and valuation? (CO2)

c. A project has the following cash flows: Year 0: -₹50,000, Year 1: ₹10,000, Year 2: ₹20,000, Year 3: ₹40,000. Assume a finance rate of 8% and a reinvestment rate of 10%. Calculate the Modified Internal Rate of Return (MIRR) (CO4)

Q3.

(2X10=20 Marks)

a. Enumerate the different types of financial risks faced by organizations, how can identifying these risks improve financial decision-making? (CO2)

b. Analyze the structure and working of forward and futures contracts in financial markets. How do these instruments differ in terms of risk and settlement? (CO4)

c. You are an investment manager of Mr Sameer, who has a Portfolio of Rs 200 lacs, of which 150 lacs are invested in the shares of Reliance Ltd and 50 lacs in the shares of Adani Ltd, the daily standard deviation of both the shares is 2%, Coefficient of correlation between both the shares is 0.2. You are required to determine the 20 days 99% value at risk for Mr Sameer portfolio, if the Z score for the normal table at 99% confidence level is 2.33. (CO4)

Q4.

(2X10=20 Marks)

a. Explain the key differences between traditional sources of finance (like bank loans and bonds) and modern sources such as venture capital and private equity. How do startups benefit from these modern sources? (CO1)

b. Assess the causes and warning signs of financial distress in a corporation. How can early prediction models help in preventing bankruptcy? (CO4)

c. Calculate the Weighted Average Cost of Capital (WACC) for a firm with the following structure: (CO3)

Debt: ₹20 crore @ 10% interest (tax rate: 30%)

Equity: ₹30 crore, cost of equity: 14%

Retained Earnings: ₹10 crore, cost of retained earnings 12%

Q5.

(2X10=20 Marks)

a. Evaluate the role of Modern Portfolio Theory (MPT) in portfolio construction. How does diversification reduce unsystematic risk? Illustrate using the concept of the Efficient Frontier. (CO3)



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b. Compare and contrast the Capital Asset Pricing Model (CAPM) and the Arbitrage Pricing Theory (APT) in estimating expected returns. Which model is more suitable in global financial markets, and why (CO4)

c. A particular stock has the following characteristics: (C04)

Risk-free rate = 6%

Market return = 12%

Beta = 1.2

- i) Define the CAPM formula and explain the significance of each term.
- ii) Using the CAPM model, calculate the expected return of the stock. Show all steps.
- iii) Interpret the result. What does it indicate about the stock's risk and return compared to the market?