Printed Page:- **Subject Code:- ACSBS0615**
Roll. No:

NOIDA INSTITUTE OF ENGINEERING AND TECHNOLOGY, GREATER NOIDA
(An Autonomous Institute Affiliated to AKTU, Lucknow)
B.Tech
SEM: VI - THEORY EXAMINATION (20..... - 20.....)
Subject: Advance Finance

Time: 3 Hours **Max. Marks: 100**

General Instructions:

IMP: *Verify that you have received the question paper with the correct course, code, branch etc.*

1. *This Question paper comprises of* ***three Sections -A, B, & C.*** *It consists of Multiple Choice Questions (MCQ's) & Subjective type questions.*

2. *Maximum marks for each question are indicated on right -hand side of each question.*

3. *Illustrate your answers with neat sketches wherever necessary.*

4. *Assume suitable data if necessary.*

5. *Preferably, write the answers in sequential order.*

6. *No sheet should be left blank. Any written material after a blank sheet will not be evaluated/checked.*

<u>SECTION-A</u> 20

1. Attempt all parts:-

1-a. Identify the type of security offering ownership and voting rights. (CO1,K2) 1

(a) Preference shares
(b) Bonds
(c) Equity shares
(d) Debentures

1-b. Select the theory emphasizing the relation between r and ke in dividend decision.(CO1,K3) 1

(a) CAPM
(b) MM Theory
(c) Walter Model
(d) Arbitrage Model

1-c. Recognize the concept where a company is purchased mostly with borrowed funds.(CO2,K3) 1

(a) Leverage Buy-out
(b) Rights Issue
(c) Working Capital Loan
(d) Private Equity

1-d. Pick the correct phase for merger due diligence. (CO2,K3) 1

(a) Evaluation Phase

(b) Closing Phase
(c) Expansion Phase
(d) Liquidation Phase

1-e. Recognize the result of a share consolidation.(CO3,K4) 1

(a) Increase in number of shares
(b) Decrease in share capital
(c) Decrease in number of shares
(d) Increase in EPS

1-f. Determine the regulatory approval required for capital reduction. (CO3,K2) 1

(a) SEBI
(b) Board of Directors
(c) Shareholders & Tribunal
(d) Ministry of Finance

1-g. Identify the primary objective of working capital management. (CO4,K2) 1

(a) Increase sales
(b) Ensure operational efficiency
(c) Reduce taxes
(d) Minimize debt

1-h. Identify the policy that uses more short-term sources than long-term. (CO4,K4) 1

(a) Conservative
(b) Aggressive
(c) Matching
(d) Passive

1-i. Select the derivative instrument that gives the right but not obligation to buy/sell. (CO5,K2) 1

(a) Futures
(b) Forwards
(c) Option
(d) Swap

1-j. Highlight the payoff profile of a short call position. (CO5,K2) 1

(a) Unlimited profit, limited loss
(b) Limited profit, unlimited loss
(c) Unlimited profit, unlimited loss
(d) Limited profit, limited loss

2. Attempt all parts:-

2.a. Identify the key feature of equity shares. (CO1,K2) 2

2.b. Describe one difference between LBO and MBO.(CO2,K3) 2

2.c. State the purpose of share consolidation.(CO3,K3) 2

2.d.	Mention one factor influencing working capital requirements.(CO4,K2)	2
2.e.	Explain the formula for put-call parity (CO5,K2)	2

SECTION-B 30

3. Answer any <u>five</u> of the following:-

3-a.	Analyze the implications of a stable dividend policy.(CO1,K4)	6
3-b.	A company has Earnings per Share (EPS) of ₹10 and pays out ₹4 as a dividend. The return on retained earnings is 15%, and the cost of equity is 12%. Calculate the market price of the share using Walter's Model. (CO1,K3)	6
3-c.	Explain the process of evaluating a merger proposal. (CO2,K2)	6
3-d.	Identify key considerations in evaluating lease contracts.(CO2,K4)	6
3.e.	Examine the impact of consolidation on market perception.(CO3,K4)	6
3.f.	Explain the factors affecting working capital needs. (CO4,K2)	6
3.g.	Describe the payoff structure for a long call and long put.(CO5,K3)	6

SECTION-C 50

4. Answer any <u>one</u> of the following:-

4-a.	Evaluate the process and criteria for pricing securities in the capital market.(CO1,K5)	10
4-b.	Compare the capital structure effects of equity vs bond issuance.(CO1,K4)	10

5. Answer any <u>one</u> of the following:-

5-a.	Examine valuation models used in mergers and acquisitions. (CO2,K4)	10
5-b.	Company A: Net Income: ₹2 crore, Shares: 20 lakh, EPS: ₹10. Company B: Net Income: ₹1 crore, Shares: 10 lakh. EPS: ₹10. Company A acquires Company B by offering 0.5 shares for every 1 share of Company B. Calculate: a) New number of shares of Company A post-merger b) Total earnings post-merger c) EPS post-merger d) Is the merger accretive or dilutive for Company A's shareholders? (CO2,K4)	10

6. Answer any <u>one</u> of the following:-

6-a.	Analyze the difference in shareholder impact between bonus shares and share splits.(CO3,K4)	10
6-b.	Examine the long-term impact of capital restructuring on investor confidence. (CO3,K3)	10

7. Answer any <u>one</u> of the following:-

7-a.	Discuss all three working capital financing strategies (CO4,K4)	10
7-b.	From the following information, Cash: ₹50,000, Debtors: ₹1,20,000,Inventory: ₹1,80,000, Prepaid Expenses: ₹10,000, Creditors: ₹1,00,000, Bank Overdraft: ₹50,000, Outstanding Expenses: ₹20,000. Calculate- a) Gross Working Capital, b) Net	10

Working Capital c) Current Ratio d) Quick Ratio (CO4,K3)

8. Answer any <u>one</u> of the following:-

8-a.	Evaluate risk-return tradeoffs in using options vs forwards. (CO5,K5)	10
8-b.	Analyze a swap agreement between two parties with different risk profiles.(CO5,K4)	10

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