

Roll No.

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Total No. of Pages : 03

Total No. of Questions : 18

BBA (2018 Batch) (Sem.-4)
FINANCIAL MANAGEMENT
Subject Code : BBA-403-18
M.Code : 77425

Time : 3 Hrs.

Max. Marks : 60

INSTRUCTIONS TO CANDIDATES :

1. **SECTION-A is COMPULSORY** consisting of TEN questions carrying TWO marks each.
2. **SECTION-B** consists of FOUR Sub-sections : Units-I, II, III & IV.
3. Each Sub-section contains TWO questions each, carrying TEN marks each.
4. Students have to attempt any ONE question from each Sub-section.

SECTION-A

Write short notes on :

- Q1. Commercial bills
- Q2. Time value of money
- Q3. Cost of capital
- Q4. Arbitrage
- Q5. Financial leverage
- Q6. Investment decisions
- Q7. Profitability index
- Q8. Permanent working capital
- Q9. Bonus shares
- Q10. Irrelevance of dividends

SECTION-B

UNIT-I

Q11. Critically compare profit maximization and wealth maximization. Which one serves as a better goal of financial management and why?

Q12. Which are the short term sources from where a business firm can raise money?

UNIT-II

Q13. What are the important determinants of capital structure? Discuss the MM Approach as theory of capital structure.

Q14. The following information has been given in respect of a company :

	Particulars	Rs.
1.	Equity share capital (dividend into shares of Rs. 10 each)	10,00,000
2.	Debentures (14%)	30,00,000
3.	Selling price per unit	50
4.	Variable cost per unit	30
5.	Fixed costs	12,00,000

The company is producing, at present. 1,00,000 units. Now, the management of the company plans to increase output by 25%. The tax rate for the company is 40%.

On the basis of the above information, you are required to make out the following calculations for the existing as well as the planned level of output.

- a) Operating Leverage
- b) Financial Leverage
- c) Earnings per share

Analyse and interpret the results.

UNIT-III

Q15. Why are investment decisions important in a firm? Which are the different non-discounted cash flow techniques for investment decision making?

Q16. From the following information, calculate the net present value of the two project and suggest which of the two projects should be accepted at a discount rate of the two :

	Project X	Project Y
Initial Investment	Rs. 20,000	Rs. 30,000
Estimated Life	5 Years	5 years
Scrap Value	Rs. 1,000	Rs. 2,000

The profits before depreciation and after taxation (cash flows) are as follows :

	Year 1	Year 2	Year 3	Year 4	Year 5
	Rs.	Rs.	Rs.	Rs.	Rs.
Project x	5,000	10,000	10,000	3,000	2,000
Project y	20,000	10,000	5,000	3,000	2,000

Note : The following are the present value factors @ 10% p.a.

Year	1	2	3	4	5	6
Factor	0.909	0.826	0.751	0.683	0.621	0.564

UNIT-IV

Q17. What do you mean by working capital and its different types? What factors affect the working capital needs of a firm and how?

Q18. What are the different forms in which dividend can be offered to shareholders? What do you mean by irrelevance of dividends?

NOTE : Disclosure of Identity by writing Mobile No. or Making of passing request on any page of Answer Sheet will lead to UMC against the Student.