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Total No. of Pages: 03

Total No. of Questions: 09

BBA (Sem. – 4)
FINANCIAL MANAGEMENT
Subject Code: BBA-403-18
M Code: 77425
Date of Examination: 17-12-2022

Time: 3 Hrs.

Max. Marks: 60

INSTRUCTIONS TO CANDIDATES:

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

SECTION-A

1. Write short notes on:
 - a) Liquidity decision
 - b) Annuity
 - c) Retained earnings
 - d) Capital structure
 - e) Operating leverage
 - f) Capital budgeting
 - g) Payback period
 - h) Treasury bills
 - i) Working capital cycle
 - j) Weighted average cost of capital

SECTION-B

UNIT-I

2. Discuss the meaning, nature and scope of financial management.
3. "A rational human being has a time preference for money." What are the reasons for such preference and illustrate with suitable examples?

UNIT-II

4. What do you understand by the term 'Leverage'? How does it affect the profits of a firm? Compare the nature of financial leverage with operating leverage.
5. The following is the capital structure of XYZ ltd.

Source	Amount Rs.	Interest rate / Dividend
Equity share capital	25,000	11%
Preference share capital	20,000	10%
Retained earnings	10,000	8%
Debentures	20,000	10%

Tax rate is 50%. Calculate the overall cost of capital.

UNIT-III

6. A company is considering an investment proposal that has the following cash flows:

Projects	C ₀	C ₁	C ₂	C ₃
A	-10,000	10,000		
B	-10,000	17,500	7,500	
C	-10,000	2,000	4,000	12,000
D	-10,000	10,000	3,000	13,000

YEAR	PV (10%)	PV (30%)
1	.909	.769
2	.826	.592
3	.751	.455

Rank the projects according to:

- a) ARR method
- b) NPV method

7. Discuss the following two methods of capital budgeting:

- a) Profitability Index
- b) Accounting rate of return.

UNIT-IV

- 8. What is the significance of working capital? What are the different approaches to working capital management?
- 9. Critically evaluate the theories of relevance of dividends.

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