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Total No. of Pages: 02
Total No. of Questions: 09

B. B. A. (Sem.-4th)
FINANCIAL MANAGEMENT
Subject Code: BBA-402
Paper ID: [A2372]

Time: 3 Hrs.

Max. Marks: 60

INSTRUCTIONS TO CANDIDATE:

- 1. Section-A is compulsory.**
- 2. Section-B Attempt any one question from each unit.**

SECTION-A

10x2=20

Q. 1. Write briefly:

- (a) Financial Management
- (b) Wealth Maximization
- (c) Capital Rationing
- (d) Internal Rate of Return
- (e) Loan Syndication
- (f) Explicit Cost of Capital
- (g) Break Even Point
- (h) Conservative Approach of working capital management
- (i) Financial Risk
- (j) Difference between permanent and temporary working capital.

Section-B

4x10=40

UNIT-I

Q. 2. What are the major types of financial management decisions which business firm make?
Describe the inter-relationship among these decisions.

Q. 3. What are the long term sources of raising finance? Explain in detail.

UNIT-II

Q. 4. What is Net Present Value? How is it different from Internal Rate of Return?

Q. 5. A project required an initial outlay of Rs. 2, 00, 000. It generates year ending profits before depreciation and tax of Rs. 1, 20, 000, Rs. 60, 000, Rs. 40, 000, Rs. 1, 00, 000 and Rs. 100, 000 respectively for five years. The minimum required rate of return is 10% and tax rate applicable is 50%. The project has a life of 5 years and is depreciated on straight line method. You are required to compute:

(a) Pay-Back period

(b) Average Rate of Return

(c) Net present Value

Unit-III

Q. 6. How do we determine the cost of capital for various sources of finance?

Q. 7. XYZ Ltd. is currently earning Rs. 1, 00, 000 and its share is selling at a market price of Rs. 80. The firm has 10, 000 shares outstanding and has no debt. The earnings of the firm are expected to remain stable and has a payout ratio of 100%. What is the cost of equity? If the firm's payout ratio is assumed to be 60% and that it earns 15% rate of return on its investment opportunities, then what would be the firm's cost of equity?

Unit-IV

Q. 8. What is the importance of working capital management for a manufacturing firm? Describe the factors which affect the working capital requirement of a company.

Q. 9. Explain the 'Net Operating Income' approach and 'Modigliani and Miller' approach of Capital Structure.

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