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BBA (2012 & Onwards Batches) (Sem.–4)
Bachelor in Service Industry Management (SIM) (2014 Batch)

FINANCIAL MANAGEMENT

Subject Code : BBA-402

Paper ID : [A2372]

Time : 3 Hrs. **Max. Marks : 60**

INSTRUCTION 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.
3. Each Sub-section contains TWO questions each, carrying TEN marks each.
4. Student has to attempt any ONE question from each Sub-section.

SECTION-A

1. Write briefly :

a) Dividend Decisions

b) Ploughing back of Profits

c) Profitability Index

d) Capital Rationing

e) NPV *vs.* IRR

f) Composite Cost

g) Explicit Cost and Implicit Cost

h) Differentiate between Financial Structure and Capital Structure.

i) Optimum Capital Structure.

j) Circulating Capital

SECTION-B

UNIT-I

2 Wealth maximisation is a better operational criterion for financial decisions making than profit maximisation. Discuss.

3 What are the various sources of long term financing for raising funds? Explain.

UNIT-II

4 Discuss the planning of Capital Expenditure. Explain briefly the traditional and time adjusted methods of Capital Budgeting.

5 ABC Ltd. is considering an investment proposal to install a new control machine. The project will cost Rs. 1, 50,000. Expected life is 5 years and no salvage value. The firm uses straight line depreciation. The estimated cash flows before tax (CFBT) from the proposal as follows.

YEAR	1	2	3	4	5
CFBT Rs.	30,000	37,500	37,500	45,000	75,000

You are required to compute the following :

a) Payback period

b) Average rate on Average Investment

c) Post pay back Profitability Index

d) NPV@10% cost of capital

e) Profitability Index (Gross)

UNIT-III

6 What do you mean by cost of capital? Explain its significance in financial decision making.

7 A Company issues Rs. 1,00,000 10% debentures at a discount of 5%. The cost of floatation amount to Rs. 3,000. The debentures are redeemable after 5 years. Calculate the before tax and after tax cost of debt, assuming tax rate is 50%.

UNIT-IV

8 Explain the various theories of Capital structure along with suitable examples.

9 Which factors determine the size of working capital?