Roll No. 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 : 24-05-23

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

1. Write short notes on :

a. What is the need of financial management?

b. What are the limitations of agency cost?

c. How long term sources differ from short term sources?

d. What do you mean by capital budgeting?

e. Define unsystematic risk.

f. What do you mean by financial structure?

g. Define MVA.

h. What do you mean gross working capital?

i. Define time value of money.

j. What do you mean by capital rationing?

SECTION-B

UNIT-I

2. In roost large corporations, ownership and management are separated. What are the main implications of this separation? Define the scope of financial management. What role should the financial manager play in a modern enterprise?

3. How does discounting and compounding helps in determining the sinking fund and capital recovery?

UNIT-II

4. Define cost of capital. Explain its significance in financial decision making. Distinguish between the weighted average cost of capital and marginal cost of capital. Which one should be used in capital budgeting and valuation of the firm? Why?

5. The capital structure of Adamus Ltd. in book value terms is as follows :

Equity capital (20 million shares, Rs.10 par)	Rs.200 million
Preference capital, 12 percent (500,000 shares, Rs.100 par)	Rs.50 million
Retained earnings	Rs.350 million
Debentures 14 percent (1,200,000 debentures, Rs.100 par)	Rs.120 million
Term loans, 13 percent	Rs.80 million
	Rs.800 million

The next expected dividend per share is Rs. 2.00. The dividend per share is expected to grow at the rate of 12 percent. The market price per share is Rs .50.00. Preference stock, redeemable after 10 years, is currently selling for Rs.85.00 per share. Debentures, redeemable after 5 years, are selling for Rs.90.00 per debenture. The tax rate for the company is 30 percent. Calculate the average cost of capital.

UNIT-III

6. The expected cash flows of a project are as follows :

Year	0	1	2	3	4	5
Cash flow	-100,000	20,000	30,000	40,000	50,000	30,000

The cost of capital is 12% . Calculate the net present value, internal rate of return, modified internal rate of return, payback period and discounted payback period.

7. Define the concept of capital budgeting. Discuss in detail with the help of examples techniques of budgeting. How decision tree analysis approach can be used in capital budgeting decision?

UNIT-IV

8. a) Define operating and financial leverage. How can you measure the degree of operating and financial leverage, explain with an example.

   b) What is the Indifference point in the EBIT- EPS analysis? How would you compute it?

9. Why is credit policy management important? Explain the objectives of credit policy. Explain the steps involved in analysis of credit policy with the examples. Is the credit policy that maximizes expected operating profits an optimum credit policy? Explain.

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.