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 : 23-05-2025

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 a short notes on :

a) Liquidity decisions

b) Time value of money

c) Weighted average cost of capital.

d) Optimum Capital Structure

e) What is meant by Financial Leverage?

f) Any two points of importance of capital budgeting.

g) Capital Rationing

h) Working Capital Cycle

i) Can dividend be paid in India in the form of other than cash?

j) Any two disadvantages of inadequate working capital.

SECTION - B

UNIT - I

2. Discuss in detail the nature and scope of Financial Management.

3. Suppose you are appointed as Chief Financial Officer (CFO) in a MNC (Multinational Company). Your company needs finance for expansion. Describe in brief various sources of rising of finance (capital) which are available to a MNC (Multinational Company).

UNIT - II

4. Discuss the importance of cost of capital. Explain the computation of specific sources of cost of capital.

5. **The capital structure of a company consists of the following securities :**

   10% Preference share-capital Rs. 10,00,000

   Equity share capital (Rs. 10/- each) Rs. 10,00,000

   The amount of operating profit is Rs. 4,00,000.

   The company is in 50%, tax bracket. You are required to calculate the financial leverage of the company. What would be the new financial leverage if the operating profit increase to Rs.4,40,000.

UNIT - III

6. What do you mean by Investment Decision making? What is the significance of studying capital budgeting?

7. In a company, while making capital expenditure decision, two alternative capital projects A-*666* and A-*777* involve an investment outlay of Rs. 1,44,000 each. The streams of cash inflows are as follows :

Year	**Cash inflows (Rs.)**	
	Project A-666	**Project A-777**
1	1,00,000	20,000
2	80,000	40,000
3	20,000	50,000
4	20,000	40,000
5	30,000	1,70,000

The required rate of earnings is 12 %. PV factor at 12 % are : Year 1(0.893), Year 2(0.797), Year 3(0.712), Year 4(0.636) and Year 5(0.567). Which of the two projects should be accepted as per NPV Method?

UNIT - IV

8. What is the significance of Working capital for a firm? Also, explain briefly, the main constituents of working capital?

9. Goodyear company belongs to a risk class for which the approximate capitalization rate is 10%. It currently has outstanding 50,000 shares selling at Rs. 100 each. The firm is contemplating the declaration of a dividend of Rs. 5 per share at the end of the current financial year. It expects to have a net income of Rs. 5,00,000 and has a proposal for making new investments of Rs. 10,00,000. Show that under the MM assumption, the payment of dividend does not affect the value of the firm.

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.