

END TERM EXAMINATION**FIFTH SEMESTER [BBA] NOVEMBER-DECEMBER 2018****Paper Code: BBA-309****Subject: Financial Management****BBA (TTM)-309****BBA (MOM)-309****Time: 3 Hours****Maximum Marks: 75****Note: Attempt any five questions. All questions carry equal marks. Present value tables are allowed.**

- Q1 (a) Find out present value of an investment which is expected to give a return of Rs 20,000 p.a. indefinitely and the rate of interest is 8% p.a.
 (b) An investor deposits a sum of Rs 1,000,00 in a bank account on which interest is credited @ 10.5% p.a. How much amount can be withdrawn annually for a period of 15 years?
 (c) Ten year from now Mr. X will start receiving a pension of Rs 30,000 per year. The payment will continue for sixteen years. How much is the pension worth now, if his interest rate is 8% p.a?
- Q2 ABC Ltd. is considering to invest in a plant requiring outflow of Rs 250 lakh. The plant has an an economic life of 5 years. The financial analyst of the company has projected the following cashflow for the project.

(Rs. Lakh)	
Year	Cash Flow
0	(250)
1	50
2	65
3	80
4	90
5	125

The cost of capital is 12%.

You are required to:-

Appraise the project in terms of net present value; benefit cost ratio and internal rate of return.

- Q3 A firm's present market price of the share is Rs 40 and its EPS is Rs 12. The firm is planning to declare 45% of this as dividends. If the firm reinvests its retained earnings at the rate of 14%, what is the cost of its equity according to Gordon dividend capitalization model?
- Q4 The following is the extract from the financial statements of ABC Ltd.

Operating Profit	Rs.105 Lakhs
Less Interest on Debentures	Rs 33 Lakhs
Less Income Tax	Rs 36 Lakhs
Net Profit	Rs 36 Lakhs

Equity share capital (of Rs 10 each)	Rs 200 Lakhs
Reserve and Surplus	Rs 100 Lakhs
15% Debentures (Rs 100 each)	Rs 220 Lakhs
Total	Rs 520 Lakhs

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The market price of equity share and debenture is Rs 12 and Rs 93.75 respectively.

Find out:-

- EPS
- Percentage cost of equity and debentures.

- Q5 ABC Ltd. has a total capitalization of Rs. 10,00,000 and normally earns Rs. 1,00,000 (before interest and taxes). The financial manager of the firm earns to take a decision regarding the capital structure. After a study of the capital market, he gathers the following data:-

Amount of Debt (Rs.)	Interest Rate (%)	Cost of Equity K_e (%)
0	-	10.00
1,00,000	4.0	10.50
2,00,000	4.0	11.00
3,00,000	4.5	11.60
4,00,000	5.0	12.40
5,00,000	5.5	13.50
6,00,000	6.0	16.00
7,00,000	6.5	20.00

- What amount of debt should be employed by the firm if the traditional approach is held valid?
- If the Modigliani-Miller approach is followed, what should be the equity capitalization rate?
Assume that corporate taxes do not exist and that the firm always maintains its capital structures on book values.

- Q6 Explain the factors considered while determining the need for working capital. Discuss the method of estimation of working capital requirements based on sales.

- Q7 Evaluate "Maximization of Profit" and "Maximization of share-holders wealth" as the objective of Financial Management.

- Q8 Write a short notes on **any three**:-

- Venture Capital
- Global Depository Receipts
- Liquidity versus Profitability
- Types of leverages

END TERM EXAMINATION

FIFTH SEMESTER [BBA] DEC.2014- JAN.2015

Paper Code: BBA309

Subject: Financial Management

BBA(TTM)309

BBA(MOM)309

Time: 3 Hours

Maximum Marks: 75

Note: Attempt any five questions.

- Q1 Explain the meaning of Financial Management. What are its objectives? Explain its functions. (15)
- Q2 (a) Explain the meaning and importance of Valuation Concept. How does valuation concept help in decision making? (7.5)
(b) X Ltd. is expecting an annual EPIT of Rs. 1 lakh. The company has Rs. 4.0 lakhs in 10% debentures. The cost of equity capital or capitalization rate is 12.5%. Calculate the total value of the firm. Also state the overall cost of capital. (7.5)
- Q3 Explain the factors that determine the capital structure of a firm. (15)
- Q4 Write short notes on **any five** of the following:- (3X5=15)
(a) Commercial paper
(b) Zero coupon bonds
(c) Certificate of Deposits
(d) Mutual fund
(e) Deep Discount Bond
(f) Credit Rating
(g) Depository Participants
- Q5 Define leverage. Explain its types. Discuss its significance. (15)
- Q6 What is Capital Budgeting? Discuss its process. Why this function is considered as one of the most important function of Financial Management? (15)
- Q7 (a) Why do companies pay dividend. (5)
(b) Define cost of capital. (5)
(c) Define Net Working Capital. (5)
- Q8 (a) What is Cash Budget? How is it prepared? (7.5)
(b) Differentiate between Overtrading and Undertrading. Also explain briefly the costs and benefits of holding inventory. (7.5)

END TERM EXAMINATION

FIFTH SEMESTER [BBA] DECEMBER 2015-JANUARY- 2016

Paper Code: BBA-309

Subject: Financial Management

BBA (TTM)-309

Time: 3 Hours

Maximum Marks: 75

Note: Attempt any five questions. All questions carry equal marks.

- Q1 How does the Modern Financial Manager differ from the traditional Financial Manager? Discuss the role and functions of Modern Financial Manager in case of a large diversified firm. Discuss the organization of Finance function in such large and diversified firm.
- Q2 Discuss the classification of sources of Finance. How loan syndication is done when the Loan amounts asked is very heavy by the business organization from the Banks. Discuss the process involved Loan Syndication.
- Q3 Write notes on:-
(a) Global Depository Receipts and the process involved in their issue.
(b) Explain the mechanics of calculating the present value of cash flows.
- Q4 Define the Capital Structure? What are the elements of Capital Structure? What do you mean by an appropriate Capital Structure? Explain the three approaches of determining firms Capital Structure: (a) EBIT-EPS Approach (b) Valuation Approach (c) Cash Flow Approach
- Q5 (a) What are the different discounting methods of Capital Budgeting? Discuss them in brief.
(b) Equipment A has a cost of Rs. 75,000 and net cash flow of Rs 20,000/- per year, for six years. A substitute equipment B would cost Rs. 50,000/- and generate net cash flow of Rs 14,000/- per year for six years. The required rate of return of both equipment is 11 per cent. Calculate the IRR and NPV for the equipment. Which equipment should be accepted and why?
- Q6 Explain the nature of factors which influence the Dividend policy of the firm. Explain the various forms of Dividend. What are the different payout methods used? Explain them in brief.
- Q7 (a) Explain the objectives of Inventory Management. Define Economic Order Quantity. How is it computed?
(b) A manufacturing company has an expected usage of 50,000 units of certain product during the next year. The cost of processing an order is Rs. 20 and the carrying cost per unit is Rs. 0.50 for one year. Lead time on an order is five days and the company will keep a reserve supply of two days' usage. You are required to calculate (a) the economic order quantity and (b) the recorder point. (Assume 250-day in a year).
- Q8 (a) Explain the importance of Trade Credit and Accruals as sources of Working Capital. What is the cost of these sources?
(b) A Company is considering raising of Rs. 50 crore by issuing CPs for ninety days. CPs will be sold at a discount of 10%. Stamp duty charges will be 0.5 percent of the size of the issue. The issuing and other charges will amount to Rs. 2.50 lac and rating charges to 0.40 per cent of the issue size. Calculate the effective cost of CP.

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FIFTH SEMESTER [BBA] DECEMBER-2010

Paper Code: BBA/TTM309

Subject: Financial Management

Time : 3 Hours

Maximum Marks : 75

Note: Attempt any five questions including Q. 1 which is compulsory. Select one question from each unit.

- Q1. Explain briefly **any five** of the following (3x5) = 15
- (a) Loan Syndication
 - (b) Decision Tree
 - (c) Capital Rationing
 - (d) P/E Ratio
 - (e) Concentration Banking
 - (f) Explicit cost of capital
 - (g) Economic Order Quantity

UNIT-I

- Q.2 What are the major types of financial management decision that business firm make. Describe briefly each one of them and highlight the inter-relationship among these decisions. (15)
- Q.3 Explain the long term and short term sources of raising finance. (15)

UNIT-II

- Q.4 "The best way to value equity share is that based on dividends." Examine this statement. How would you value a share on which on dividend is being paid? (15)
- Q.5 The following information is available from the balance sheet of a company (15)
- | | |
|--|-------------------|
| Equity share capital (8000 share of Rs 100 each) | 800,000 |
| 12% Debenture | 800,000 |
| 18% term loan | <u>24, 00,000</u> |
| | <u>40, 00,000</u> |

Determine the weighted average cost of capital of the company. It had been paying dividends at a rate of Rs 20 per share ($g=0$). Income tax rate is 40 per cent.

UNIT-III

- Q.6 What is NPV? How is it different from IRR? (15)
- Q.7 A project required an initial outlay of Rs. 20,000. It generates year ending profits of Rs. 12,000, Rs. 6000, Rs. 4000, Rs. 10,000 and Rs. 10,000 from the end of the first year to the end of the fifth year. The required rate of return is 10% and pays tax at 50% rate. The project has

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a life of 5 years and is depreciated on straight line method basis. Assume that the above year ending profits are before depreciation and tax. You are required to compute: **(15)**

- (i) Pay back period
- (ii) Average rate of return
- (iii) Net present value

UNIT-IV

Q.8 What is the importance of working capital management for a manufacturing firm? Describe the factors that affect working capital requirement of a company? **(15)**

Q.9 The finance department of a company provides the following information
(i) The carrying cost per unit of inventory are Rs.10 **(15)**
(ii) The fixed cost per order are Rs.20
(iii) The number of units required is 30,000 per year.
Determine the economic order quantity (EOQ), total number of order in a year and the time gap between two orders.
