SE – 279

IV Semester B.B.A. Examination, September 2020
(CBCS) (F+R) (2015-16 and Onwards)
BUSINESS ADMINISTRATION
Paper – 4.4 : Financial Management

Time : 3 Hours

Max. Marks : 70

Instruction : *Answer should be* ***completely*** *written in* ***English*** *only.*

SECTION – A

1. Answer **any five** sub-questions. **Each** question carries **2** marks. **(2×5=10)**
   a) What do you understand by business finance ?
   b) Give the meaning of financial plan.
   c) What is leverage ?
   d) What is investment decisions ?
   e) Give the meaning of dividend policy.
   f) Name the various kinds of working capital.
   g) State the techniques of time value of money.

SECTION – B

Answer **any three** questions. **Each** question carries **6** marks. **(3×6=18)**

2. State the objectives of financial management.
3. What are the principles of motives for holding cash ?
4. Briefly explain the various forms of dividend.
5. Following information is taken from the records of X Ltd. Company :
   Installed capacity 1000 units
   Operating capacity 800 units
   Selling price per unit ₹ 10
   Variable cost per unit ₹ 0.70.
   Calculate the operating leverage under the following situations :
   Fixed Costs : Situation A – ₹ 800
   Situation B – ₹ 1,200

P.T.O.

6. Calculate the average rate of return for the Project A and Project B from the following :

	Project A	Project B
Investments ₹	20,000	30,000
Expected life	4 yrs.	5 yrs.

Project net income (after interest, depreciation and taxes)

Years	:	1	2	3	4	5
Project A	:	2,000	1,500	1,500	1,000	–
Project B	:	3,000	3,000	2,000	1,000	1,000

If the rate of return @ 12% which project should be undertaken ?

SECTION – C

Answer **any three** of the following questions. **Each** question carries **14** marks. **(3×14=42)**

7. Explain the various steps involved in capital budgeting process.

8. What is working capital ? Discuss the various sources of working capital funds.

9. What are the sources of bonus issue ? Write detailed note on the issue of bonus share.

10. Determine the EPS of a company which has an EBIT of ₹ 2,00,000. Its capital structure consists of the following securities.

    10% Debentures – ₹ 6,00,000

    12% Preference shares – ₹ 2,00,000

    Equity shares of ₹ 100 each ₹ 5,00,000

    The company is in the 30% tax bracket. Determine the percentage change in EPS associated with 25% increase and 25% decrease in EBIT.

11. A firm's cost of capital is 10%. It is considering two mutually exclusive projects X and Y. The details are given below :

	Project X	Project Y	PV factor
	₹	₹	at 10%
Investments	1,40,000	1,40,000	–
Net cash inflows :			
Years			
1	20,000	1,20,000	0.909
2	40,000	80,000	0.826
3	60,000	40,000	0.751
4	90,000	20,000	0.683
5	1,20,000	20,000	0.621
	3,30,000	**2,80,000**	

Calculate payback period and net present value of each project.