

- (b) Investigate the relevance of M & M model in determining dividend policy. (CO5)
- (c) Support the relevance of Walter's model by calculating the price of share with given data :

Suppose a company ABC has an EPS of \$ 10 and a DPS of \$ 5. Its cost of capital (k) is 8%. Let us further assume its internal rate of return is 10%, $r > k$. (CO4)

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B. B. A. (SECOND SEMESTER) END SEMESTER EXAMINATION, July/Aug., 2022

FINANCIAL MANAGEMENT

Time : Three Hours

Maximum Marks : 100

- Note :** (i) All questions are compulsory.
- (ii) Answer any *two* sub-questions among (a), (b) and (c) in each main question.
- (iii) Total marks in each main question are **twenty**.
- (iv) Each sub-question carries 10 marks.
1. (a) State any *three* forms of business. (CO1)
- (b) "A financial manager is someone who works towards the goal of shareholder's wealth maximization." Critically evaluate this statement. (CO4)

(2)

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- (c) A company issued 2000 20% debentures of ₹ 200 each at a discount of 10%, to be redeemed after 5 years at a premium of 10%. Solve to calculate cost of debt if tax rate is 35%. (CO2)
2. (a) Investigate the relevance of cost of capital rate in determining the cut off rate for the projects. (CO5)
- (b) State the relevance of time value of money. (CO1)
- (c) Number of preference shares 5000
 Face value of each share 150
 Preference dividend 10%
 Issues price at 5% premium
 Redemption at par
 3% brokerage charges
 Solve to calculate cost of preference shares. (CO2)
3. (a) Appraise the concept of capitalization. (CO4)
- (b) Demonstrate the relevance of leverage and its types. (CO2)

(3)

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- (c) Sales in units 50,000
 Selling price per unit ₹ 50
 Variable cost 20% of selling price
 Fixed cost ₹ 1,00,000
 Interest obligation ₹ 50,000
 Tax rate 25%
 Test the OL, FL and CL. (CO3)
4. (a) Examine the need of working capital in an organization and name few sources of working capital. (CO3)
- (b) Explain the concept of operating cycle. (CO1)
- (c) Sales ₹ 50,00,000
 Fixed cost ₹ 5,00,000
 Interest ₹ 6,00,000
 Variable cost 66.66%
 Income tax rate 30%
 Number of equity shares 1,00,000
 Organise the sales of EPS table and calculate earnings per share (EPS). (CO3)
5. (a) Investigate the relevance of Walter's model in determining dividend policy. (CO5)

P. T. O.