



IV Semester B.B.A. Examination, May 2017
(CBCS) (F+R) (2015-16 and Onwards)
BUSINESS ADMINISTRATION
Paper – 4.4 : Financial Management

Time : 3 Hours

Max. Marks : 70

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

SECTION – A

1. Answer **any five** sub-questions of the following. **Each** sub-question carries **two** marks. (5×2=10)
- a) What is meant by time value of money ?
 - b) How do you calculate EPS ?
 - c) What is combined leverage ?
 - d) What do you mean by dividend policy ?
 - e) Mention any four functions of financial management.
 - f) State the techniques of capital budgeting.
 - g) What is inventory management ?

SECTION – B

Answer **any three** of the following. **Each** question carries **six** marks. (3×6=18)

- 2. Briefly explain the prime objectives of financial plan.
- 3. Distinguish between operating and financial leverage.
- 4. Mention the salient features of NPV method.
- 5. Determine the three types of leverages from the following information :

Selling price per unit	Rs. 10
Variable cost per unit	Rs. 5
Fixed cost	Rs. 1,20,000
10% debt capital	Rs. 3,00,000
Number of units sold	90,000
- 6. Mr. Kabir deposits Rs. 2,000 at the end of every for 5 years and the deposits earn a compound interest @ 10% p.a. Determine how much money he will have at the end of 5 years ? Given $(1.10)^5 = 6.105$.

P.T.O.



SECTION - C

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

7. What is dividend policy ? Explain the factors which determine the dividend policy.
8. What is working capital ? Explain the dangers of excessive working capital and also inadequate working capital.
9. What is capital budgeting ? Why is it significant for a firm ?
10. A firm's cost of capital is 10%. It is considering two mutually exclusive projects X and Y. The details are given below.

Particular	Project - N	Project - R
Investment	1,50,000	1,50,000
Net cash flow years	Rs.	Rs.
1	20,000	80,000
2	40,000	80,000
3	60,000	40,000
4	90,000	20,000
5	1,20,000	20,000

Compute :

A) Payback period.

B) NPV.

P.V. factor at 12% for 5 years.

Year	1	2	3	4	5
P.V. Factor @ 12%	0.893	0.797	0.712	.636	0.567

11. KR Ltd. is capitalized with Rs. 5,00,000 divided into 50,000 equity shares of Rs. 10 each. The management desires to raise another Rs. 5,00,000 to finance some expansion programme.

There are four possible financing plans :

- i) All equity shares
- ii) Rs. 2,50,000 in equity and the balance in debentures carrying 10% interest.
- iii) Rs. 2,50,000 in equity and Rs. 2,50,000 in preference shares carrying 10% dividend.
- iv) All debentures carrying 8% interest.

The existing EBIT amounts to Rs. 60,000 p.a.

Calculate EPS in all the above four plans.