(Please write your Exam Roll No.) **Exam Roll No.**

END TERM EXAMINATION

FOURTH SEMESTER [BBA] JUNE 2024

Paper Code: BBA-204 **Subject: Financial Management**

(BATCH 2021 ONWARDS)

Time: 3 Hours **Maximum Marks: 75**

Note: Attempt five questions in all including Q.No1 which is compulsory.

Q1 Write short note on the following (Attempt **any three**): **(3×5=15)**

D. (a) Economic value added & Market value added
(b) Cash Management
(c) Weighted average cost of capital
(d) Risk-return trade off

P. Q2 "Financial Management has expanded its scope during last few decades". Examine the modern approach to the scope of financial management and also discuss the importance of financial management. **(15)**

Q3 a) Mr. Rohit has to receive Rs. 50,000 per year for 8 years. Calculate the present value of annuity assuming that he can earn interest in his investment at 10% p.a. (use table value 5.335) **(5)**

b) Explain the various sources of long term financing. **(10)**

Q4. Why is dividend policy important for a company? Discuss the various determinants of dividend policy. Also explain Walter's approach in detail. P. **(15)**

D. Q5 Management of Bajaj Ltd. has the option to buy either Machine A or Machine B. Machine A has a cost of Rs. 75,000. Its expected life is 6 years with no salvage value at the end. It would generate net cash flows of Rs. 20,000 per year. Machine B on the other hand would cost Rs. 50,000. Its expected life is 6 years with no salvage value at the end. It would generate no cash flow of Rs. 15,000 per year. Assuming that the cost of capital of both the machines is 10%. You are required to calculate **(15)**

i) Net present value for each machine.
ii) Internal rate of return for each machine
iii) Which machine should be recommended and why?

Present value of an annuity of Rs. 1.

INTEREST RATE

Year	14%	15%	16%	17%	18%	19%
1-6	3.889	3.784	3.685	3.589	3.498	3.326

3.2

The present value factors at 10% rate of discount for the years 1 to 6 are respectively:

Year	1	2	3	4	5	6
P.V. factor at 10%	.909	.826	.751	.683	.621	.564

P.T.O.

Q6 Companies A and B are identical in all respects except for debt-equity ratio. A having issued 10% debentures of Rs. 20 lakhs while B has issued only equity. Both the companies earn 20% before interest and taxes on their assets of Rs. 40 lakhs. Assuming a tax rate of 50%, capitalization rate of 15% for an all equity company, compute values of companies A & B using

(a) Net Income Approach

(b) Net Operating Income **(15)**

Q7 Discuss the Net operating income, MM hypothesis and traditional approach theories of capital structure. **(15)**

Q8 Explain:

(a) Factors affecting working capital

(b) Significance of capital budgeting and problems **(15)**

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