

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 reorder 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.