IV Semester B.B.A. Examination, July/August 2024
(NEP Scheme)
BUSINESS ADMINISTRATION
4.3 : Financial Management

Time : 2½ Hours Max. Marks : 60

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

SECTION – A

Answer **any six** sub-questions. **Each** sub-question carries **2** marks. **(6×2=12)**

1. a) What is wealth maximization ?
   b) What is financial management ?
   c) Define financial leverage.
   d) Define capital budgeting.
   e) Mention different forms of dividend.
   f) What do you mean by IRR ?
   g) Given EBIT is 1,20,000, tax rate 50%. Find out EPS if number of equity shares are 2,00,000.
   h) What is operating cycle ?

SECTION – B

Answer **any three** questions. **Each** question carries **four** marks. **(3×4=12)**

2. Briefly explain the functions of financial management.
3. Briefly explain the various techniques of evaluating capital budgeting.
4. Calculate the market price of a share using Walter's model from the following information. Rate of return on investment is 12%, capitalisation rate is 10%, and earning per share is ₹ 6, dividend per share ₹ 3.

5. The following information is available in respect of a product.

   Units sales 2,00,000

   Unit sales price ₹ 5

   Fixed cost ₹ 2,60,000

   Variable cost per unit ₹ 1

   Tax rate 50%

   10% debt capital of ₹ 6,00,000

   Calculate all three types of leverage.

6. Given following information of XYZ limited

   Equity capitalization rate = 15%

   Earnings per share ₹ 16

   Assumed rate of return on investment 15%.

   Show the effect of dividend policy on market price of shares applying Walter's model with 50% dividend payout ratio.

SECTION – C

Answer **any three** questions. **Each** question carries **twelve** marks. **(3×12=36)**

7. What factors determine the capital structure ?

8. What are the principles of sound financial planning ?

9. Explain the need and importance of adequate working capital.

10. ABC Ltd. has a equity share capital of ₹ 6,00,000 in shares of ₹ 100 each. It wishes to raise further ₹ 3,00,000 for expansion cum moderisation plans. Company plans the following financing plans.

    a) All equity shares

    b) ₹ 2,00,000 equity shares and ₹ 1,00,000 debt at 10% p.a.

    c) All debt at 10% p.a.

    d) ₹ 1,00,000 in equity shares and ₹ 2,00,000 preference share capital at 8% dividend.

    The Co. has estimated EBIT at ₹ 1,50,000. The corporate rate of tax is 50%. Calculate EPS in each case and comment on the most suitable plan.

11. Sahara Ltd. has under consideration for the following two projects. The details of which are as under :

	Project A	Project B
Investment in Machinery (₹)	10,00,000	15,00,000
Working capital (₹)	5,00,000	5,00,000
Life of machinery	4 years	6 years
Scrape value of machinery	10%	10%
Tax rate	50%	50%

Income Before Depreciation and tax.

Year	₹	₹
1	8,00,000	15,00,000
2	8,00,000	9,00,000
3	8,00,000	15,00,000
4	8,00,000	8,00,000
5	–	6,00,000
6	–	3,00,000

You are required to calculate ARR and suggest which project is to be preferred.