



III Semester B.B.A. Examination, March 2023
(CBCS) (Repeaters) (2021 – 22 and Onwards)
BUSINESS ADMINISTRATION
Paper – 3.6 : Business Finance

Time : 3 Hours

Max. Marks : 70

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

SECTION – A

1. Answer **any 5** sub-questions. **Each** question carries **2** marks. **(5×2=10)**
- a) Give the meaning of Bond dividend.
 - b) What do you mean by Business Finance ?
 - c) State any two objectives of Financial Management.
 - d) Give the meaning of time value of money.
 - e) State any two features of capital budgeting.
 - f) Mention any two disadvantages of net present value.
 - g) State any two factors influencing working capital.

SECTION – B

Answer **any three** questions. **Each** carries **five** marks. **(3×5=15)**

- 2. State the functions of a financial manager.
- 3. Elucidate the difference between net present value and internal rate of return.
- 4. Determine the EPS of a company, which has an Earnings Before Interest and Tax (EBIT) of ₹ 2,00,000. Its capital structure consists of the following securities :
 - * 10% Debentures ₹ 6,00,000
 - * 12% Preference shares ₹ 2,00,000
 - * Equity shares of ₹ 100 each ₹ 5,00,000

The company is in the 50% tax bracket. Determine the percentage changes in EPS associated with 25% increase and 25% decrease in EBIT.

P.T.O.



5. A company is considering expanding its production. It can go either for an automatic machine costing ₹ 4,48,000 with an estimated life of 6 years or an ordinary machine costing ₹ 1,20,000 having an estimated life of 8 years. The annual sales and costs are estimated as follows :

Particulars	Automatic Machine ₹	Ordinary Machine ₹
Sales	3,00,000	3,00,000
Costs :		
Materials	1,00,000	1,00,000
Labour	24,000	1,20,000
Variable overheads	48,000	40,000

Calculate the payback period and advice the management.

6. What is Bonus Share ? Explain SEBI guidelines on bonus shares issue.

SECTION – C

Answer **any three** questions. **Each** question carries **12** marks.

(3×12=36)

7. Describe the factors affecting dividend policy in detail.
8. A Ltd. Company has under consideration of the following two projects, the details are as under :

Particulars	Project X	Project Y
Investment in machinery	10,00,000	15,00,000
Working capital	5,00,000	5,00,000
Life of machinery	4 years	6 years
Tax rate	50%	50%
Scrap value	10%	10%



Income before depreciation and tax :

	X ₹	Y ₹
1 st year	8,00,000	15,00,000
2 nd year	8,00,000	9,00,000
3 rd year	8,00,000	15,00,000
4 th year	8,00,000	8,00,000
5 th year	—	6,00,000
6 th year	—	3,00,000

Calculate A.R.R.

9. Describe in detail the factors influencing a sound financial plan.
10. Briefly explain the factors which influence the planning of the Capital structure of a company.
11. Calculate operating leverage and financial leverage under situations A, B and C and financial plans I, II and III respectively from the following information relating to the operating and capital structure of XYZ Co. Also find out the combinations of operating and financial leverages which give the highest value and the least value. How are these calculations useful to financial manager in a company ?

Installed capacity	1200 units
Actual production and sales	800 units
Selling price per unit	₹ 15
Variable cost per unit	₹ 10
Fixed cost :	
Situation A	₹ 1,000
Situation B	₹ 2,000
Situation C	₹ 3,000



Capital structure :

	Financial Plan		
	I	II	III
Equity	₹ 5,000	₹ 7,500	₹ 2,500
Debt	₹ 5,000	₹ 2,500	₹ 7,500
Cost of debt			12%

SECTION – D

Answer the following question carrying **nine** marks.

(1×9=9)

12. Explain an ideal organisational structure of a finance department.

OR

The concept of financial leverage is significant as it has a direct relation with capital structure. Do you agree ? If so, substantiate your answer.
