Aditya Educational Institutions

ADITYA DEGREE COLLEGES

∗ ANDHRA PRADESH∗

IV SEMESTER - PREFINAL EXAMINATIONS

Max. Marks : 75

Date: 24-03-2020

II BBA- FM

Time : 3 Hours

SECTION-A

I   Answer any Five questions: **5x 5 = 25 M**

1. Briefly explain profit maximization and wealth maximization.
2. Explain the nature of investment decisions.
3. Briefly discuss about payback period.
4. Discuss the financing of working capital.
5. State the meaning and significance of cost of capital.
6. Explain about credit collection.
7. State dividend models.
8. Briefly explain about financial leverage.

SECTION-B

II. Answer the following questions: **5 x 10 = 50 M**

9. (a) Explain the objectives of financial management.

(Or)

b) Discuss nature and scope of financial management.

10. a) Explain the different criteria to evaluate an investment.

(Or)

b) Risk analysis in the capital budgeting.

11. a) Discuss optimum credit policy.

(Or)

b) Explain the different sources of working capital.

12. a) Explain about operating and financial leverages.

(Or)

b) A company has to make a choice between two projects namely A &B. the initial investment cost of two projects are Rs. 1,35,000 and Rs. 2,40,000 respectively for A and B. The opportunity cost of capital of the company is 16%. The annual cash flows are us under:

Year	Project A	Project B	Discounting Factor @ 16%
1	30,000	60,000	0.862
2	30,000	84,000	0.743
3	1,00,000	96,000	0.641
4	86,000	1,02,000	0.552
5	84,000	90,000	0.476

You are required to calculate for each project.
I) Payback period
II) Profitablity index
III) Net present value (NPV)
IV) Which project must be selected? Why

13. a) The earning per share of a company are Rs.10/-and the rate of Capitalization applicable to it is 10% The company has before it the options of adopting a payment of 20%, 40%, 80% using walter's formula, Compute the market value of the companies share, If the Productivity of retained, earings is 20%, 10%, 8%.

(Or)

b) State the different determinants of dividend policy.