Roll No………………… Total Pages: 3

14310

BBA/M-18

FINANCIAL MANAGEMENT

Paper: BBA-212

Time: Three Hours Maximum Marks: 80

Note: Attempt five questions in all. Including Question No.1 which is compulsory. All questions carry equal marks.

Compulsory Question

1. Explain the following :

   (a) Why wealth maximization approach is superior to the profit maximization approach?
   (b) Features of Capital Budgeting.
   (c) Problems in determination of Cost of Capital.
   (d) Assumption of Walter's Model of Dividend.
   (e) Disadvantages of Excessive Working Capital.
   (f) Cash Credits.

2. Define Financial Management. Discuss the nature and functions of Financial Management.

3. The Rodex Company is considering investment in a machine that produces product X. The machine cost will Rs. 5,00,000. In the first year 10,000 units of X will be produced and the price will be Rs. 20 per unit. The volume is expected to increase by 20% and price of product by 10%. The material used to manufacture the product is becoming more expensive. The cost of production is therefore expected to increase by 15%. The production cost in the first year will be Rs. 10 per unit. The company uses straight-line depreciation on the machine for tax purposes. There will be no salvage value of 5 year of the machine. The tax rate is 50% and the discount rate is 20%. Should the machine be bought?

4. Explain the Net Income and Net Operating Income Approach of Capital Structure.

5. What do you understand by Dividend? Discuss the various factors influencing the Corporate Dividend Policy.

6. As a financial manager of an engineering company, you are required to compute weighted average cost of capital of the company using (a) Book value weights and (b) Market value weight. Company present capital structure is :

	Rs.
Equity share (Rs. 10 per share)	30,00,000
10% preference share (Rs. 100 per share)	4,00,000
12% debentures (Rs. 100 per debenture)	14,00,000

	48,00,000

All these securities are traded in the securities market. Their recent prices are debenture Rs. 110 per debenture, preference shares Rs. 115 per share and equity share Rs. 40 per share.

Anticipated external financing opportunities are :

(i) New Rs. 100 debenture can be sold at per at 9% compensate, redeemable at 10% premium after 5 years, Flotation Cost would be 2%.

(ii) New preferences share carrying 8% dividend can be soil at per, redeemable at a premium of 5% after 10 years. Flotation cost would be Rs. 3 per share.

(iii) New Rs. 10 equity share can be sold at Rs. 35. Flotation cost would be 2% of issues price. Expected dividend on equity share is 20%, the anticipated growth rate individend is 8%. Corporate tax rate is 40%

7. What do you mean by management of working capital? Also discuss the methods of analysis of working capital.

8. Critically examine plouging back of profits and lease financing as source of finance.