

Roll No.....

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BBA/M-15

FINANCIAL MANAGEMENT

Paper-BBA-212

Time allowed: 3 hours]

[Maximum marks: 80

Note: Attempt **Five** questions in all. Question No.1 is compulsory. All Questions carry equal Marks.

Compulsory Question

1. Explain the following:
 - (a) Nature of Financial Planning
 - (b) Significance of Capital Budgeting
 - (c) Working Capital Management
 - (d) Commercial Paper
 - (e) Cost of equity Capital
 - (f) Optimal Capital Structure.
2. "Maximization to Profit is regarded as the proper objective of investment decision, but it is not as exclusive as maximizing Shareholder's wealth." Comment.
3. ABC Ltd. Has the following book value Capital structure as on 31-03-2013:

Equity Share Capital (of ₹ 10 each)	4000000
11.5% Pref. Share Capital (of ₹ 10 each)	1000000
10% Debenture (of ₹ 100 each)	3000000

The Equity share of the company sells for ₹ 20. It is expected that the company will pay next year dividend of ₹ 2 per equity share , which is expected to grow at 5% forever. Assume a 35% tax rate.

You are required to compute weighted Average cost of Capital of the company based on the existing Capital structure.

4. There are two firms X and Y which are exactly identical except that X does not use any debt in the financing, while Y has Rs. 100000, 5% Debenture in

its financing. Both the firms have earning before interest and tax of Rs. 25000 and the equity capitalization rate is 10%. Assuming the Corporation tax of 50% calculate the value of the form using M & M approach.

5. Between Equity shares and Debentures which is profitable for raising additional long-term Capital for a manufacturing company and why?
6. Discuss the importance of Working Capital for a manufacturing concern.
7. “A Firm should follow a policy of very high dividend pay-out.” Do You agree? Why or why not?
8. Do the NPV and PI technique of capital budgeting always lead to the same investment decision? Discuss.