



IV SEMESTER BBA EXAMINATION, JULY/AUGUST-2023

SCHEME – SEMESTER –NEP

033

FINANCIAL MANAGEMENT

Time: 2½ Hours

Max Marks: 60

Instructions to Candidates: Answer all parts.

PART – A

Answer any FIVE of the following. Each Question carries 2 Marks: 5x2=10

1. Give the meaning of Finance. CO1, LL1
2. Expand EBIT & EPS. CO3, LL1
3. Mention types of Dividends. CO3, LL1
4. What is NPV? CO4, LL1
5. What are the benefits of adequate working Capital? CO5, LL1
6. A person invests Rs 50,000 at the end of each year at 10% rate of interest per year. State what amount he will receive at the end of 4 years. CO2 LL1
7. A co. is expected to pay a dividend of Rs 8 per share next year. The dividends are expected to grow perpetually at a rate of 10%. what is the value of its share if the required rate of return is 15%. CO2 LL1

PART – B

Answer any TWO of the following. Each Question carries 10 Marks: 2x10=20

8. Explain the role of financial manager in a modern enterprise. CO1, LL2
9. a) A company expects to earn net operating income of Rs 3,60,000 annually. It has Rs 12,00,000, 10% debentures, equity capitalisation rate of the company is 12%, What would be the value of company? CO1, LL2
- b) A company has an annual net operating income of Rs 90,000. The company has Rs 300,000 10% debentures. The overall cost of capital of the company is 12% calculate equity capitalization rate.
10. M.N Ltd has an equity share capital of Rs 40,00,000 divided into shares of Rs 10 each. It has an expansion programme requiring an investment of Rs 20,00,000. The management is considering the following alternatives for raising this amount. CO3, LL2

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- a) Issue of 200,000 equity shares of Rs 10 each
 b) Issue of 20,000.10% debenture of Rs 100 each
 The company's earnings before interest & tax (EBIT) are Rs 16,00,000.
 The rate of corporate income tax is 35%. Ascertain the EPS & determine the best alternative.

11. Explain the determinants of working capital. CO5, LL2

PART – C

Answer any **TWO** of the following. Each Question carries 15 Marks: 2x15=30

12. What do you mean by Financial Management? What are the goals of financial management? Explain. CO1 LL2
13. PQR Co. Ltd., is considering an investment proposal of a new machinery costing Rs 40,00,000. The estimated life of the machinery is 5 years & has no salvage value. Assume the corporate tax rate is 30%. The estimated cash inflows before depreciation & tax are as follows: CO4, LL2

Year		Cash inflow before Dep & Tax
01	Rs	11,00,000
02	Rs	12,00,000
03	Rs	13,00,000
04	Rs	16,00,000
05	Rs	22,00,000

The company adopts straight line method of depreciation for tax purpose.

Calculate:-

- a) Payback period
 b) ARR.
 c) NPV at 12%.discount rate.
 d) Profitability index.

[Note: The PV factor for Rs 1 at 12%. for 5 years are 0.893, 0.797, 0.712, 0.636 and 0.567 respectively]

14. The following particulars are available from Chinnu Ltd. CO4, LL2

Particulars	Per Unit
Raw Material	185
Direct Labour	70
Over heads	<u>140</u>
Total	395
Profit	<u>75</u>
	470

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Additional information

- a) Raw materials are in store on an average 2 months.
- b) Materials are in process 1 month (50% conversion cost)
- c) Finished goods are in stores on an average 1 ½ month.
- d) Credit allowed to customers 2 months.
- e) Credit allowed by suppliers 1 ½ months.
- f) Time lag in payment of wages 1 month.
- g) Time lag in payment of overheads 2 months
- h) ¼ of the output is sold for cash.
- i) cash in hand expected to be Rs 100,000.

you are required to estimate the working capital requirements of the firm for a level of 1,50,000 units of production.

- 15 The following information is available in respect of a company. CO3 LL2

Equity Shares of Rs 10 each Rs 20,00,000 10%. debentures Rs 60,00,000.

Variable per unit Rs 20, Selling price per unit Rs 60.

Fixed cost Rs 10,00,000

The company is producing at present 2,00,000 units. Management of the company has plans to increase output by 25%. The tax rate is 30%.

You are required to calculate the existing as well as for the planned level of output.

- a) Operating leverage.
- b) Financial leverage.
- c) Combined leverage.
- d) EPS.

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