

Roll No.

BBA-402(N)

B. B. A. (Fourth Semester)

EXAMINATION, May, 2017

(New Course)

Paper Second

FIANANCIAL MANAGEMENT

Time : Three Hours] [Maximum Marks : 70

Note : Attempt questions from all Sections as directed.

Inst. : The candidates are required to answer only in serial order. If there are many parts of a question, answer them in continuation.

Section—A

(Short Answer Type Questions)

Note : All questions are compulsory. Each question carries 3 marks.

1. (A) What are the *three* functions of Financial Management ?
- (B) What is the difference between profit maximisation and wealth maximisation ?
- (C) What do you mean by time value of money ?
- (D) What is the present value of ₹ 5,000 coming after 3 years @ 10% ?

- (E) What is a growing annuity ?
- (F) What is Gordon Model of dividend ?
- (G) Differentiate between trade discount and cash discount.
- (H) What is the difference between right issue and bonus issue ?
- (I) What is Weighted Average cost of capital ?
- (J) What are various types of inventories in a manufacturing business ?

Section—B

(Long Answer Type Questions)

Note : Attempt any *two* questions. Each question carries 10 marks.

2. Explain meaning, computation and implication of operating leverage, financial leverage and combined leverage.
3. Explain meaning and theories of relevance and irrelevance of capital structure and dividend distribution.
4. Calculate Net Present Value and Profitability Index of following two projects and decide which one should be selected if these are mutually exclusive. (Rate of Return 16%) :

Project	CO ₀ (₹)	CFAT ₁ (₹)	CFAT ₂ (₹)	CFAT ₃ (₹)	CFAT ₄ (₹)
X	50,000	10,000	20,000	30,000	40,000
Y	75,000	40,000	30,000	20,000	10,000

5. Calculate composite cost of capital from the following data :

Source	Weight	Cost , (before tax) (%)
Equity	0.4	12
Pref. Capital	0.3	10
Debenture	0.2	14
Retained Earning	01	13

Present corporate tax rate is 25%.

Section—C

(Long Answer Type Questions)

Note : Attempt any *two* questions. Each question carries 10 marks.

- How can we estimate need of working capital with the held of operating cycle ? Illustrate with the help of an appropriate example of a manufacturing organisation.
- What is Average Collection Period ? What is implication of a longer Average Collection Period and a shorter Collection Period. How can this period be reduced ?
- Find out the estimation of cash collection from sales of a firm with the help of following information, for the period April to September :

Total Sales (₹)

Actual

January	February	March
20,000	30,000	36,000

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Projected

April	May	June	July	August	September
42,000	48,000	60,000	60,000	40,000	30,000

- (i) 20% of sales are in Cash test in Credit
- (ii) 50% of Credit sales are realised in next first month.
- (iii) 30% of Credit sales are realised in next second month.
- (iv) Rest of the Credit sales are realised in next third month

9. Explain any two of the following :

- (a) MM Approach
- (b) EOQ Analysis
- (c) Internal Rate of Return
- (d) Overcapitalisation

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1750