



**IV Semester B.B.A. Degree Examination, June/July - 2025  
(NEP Scheme Freshers and Repeaters)**

**BUSINESS ADMINISTRATION**

**Financial Management**

**Paper : BBA 4.3**

**Time : 2½ Hours**

**Maximum Marks : 60**

**Instructions :**

*Answers should be written completely in English.*

**SECTION - A**

**Answer any Five of the following questions. Each question carries 2 marks.**

**(5×2=10)**

1. a) Define financial planning.
- b) What do you mean by wealth maximization?
- c) What is net present value method?
- d) State the meaning of cost of capital.
- e) Give the meaning of optimum capital structure.
- f) A project costs Rs. 1,00,000 and yields an annual cash inflows Rs. 20,000 for 8 years. Calculate its payback period.
- g) Explain the meaning of time value of money.

**SECTION - B**

**Answer any Three questions. Each question carries 4 marks.**

**(3×4=12)**

2. From the following information, calculate Operating Financial and Combined Leverages.  
Sales Rs. 5,00,000.  
Variable cost 30%.  
Fixed cost Rs. 1,00,000.  
Tax rate is 50%.  
12% debenture capital Rs. 1,00,000.



**[P.T.O.]**



3. From the following information. Calculate ARR.

Investment Rs. 5,00,000.

Scrap value 10%.

Working capital Rs. 75,000.

Working life 4 years.

Year	1	2	3	4
EAT/PAT	30,000	40,000	60,000	80,000

4. Calculate the future values at the end of five years of the following series of payments at 10% rate of Interest.

Rs. 2,000 at end of 1<sup>st</sup> year.

Rs. 2,500 at end of 2<sup>nd</sup> year.

Rs. 3,000 at end of 3<sup>rd</sup> year.

Rs. 3,500 at end of 4<sup>th</sup> year.

Rs. 4,000 at end of 5<sup>th</sup> year.

5. What do you understand by working capital? Discuss the various sources of working capital funds.

6. Analyze the factors which determine the dividend policy.

### SECTION - C

Answer any Three questions. Each question carries 10 marks. (3×10=30)

7. A company has EBIT of Rs. 2,40,000 and its capital structure consist of the following securities.

Equity shares capital (Rs. 10 each) - Rs. 2,00,000.

12% preference shares - Rs. 3,00,000.

14.5% debentures - Rs. 5,00,000.

The company is facing fluctuation in the sales. What would be percentage change in EPS.

- If EBIT of the company increases by 25%.
- If EBIT of the company decreases by 25%.
- The company tax rate is 35%.





8. A firm whose cost of capital is 10% is considering two projects X and Y. The details of which are.

Particulars	Project X (Rs)	Project Y (Rs)
Investment	2,00,000	2,00,000
Cash inflow		
1 <sup>st</sup> year	40,000	90,000
2 <sup>nd</sup> year	60,000	80,000
3 <sup>rd</sup> year	80,000	60,000
4 <sup>th</sup> year	1,00,000	20,000
5 <sup>th</sup> year	1,20,000	16,000

Compute IRR for the two projects separately, project X by 20% and 25% and project Y by 10% and 14%. Use the following discount factor for calculating IRR.

Year	Project X		Project Y	
	20%	25%	10%	14%
1	0.833	0.800	0.909	0.877
2	0.694	0.640	0.826	0.769
3	0.578	0.512	0.751	0.674
4	0.482	0.409	0.683	0.592
5	0.401	0.327	0.620	0.519

9. A company is considering an investment proposal to install a new machine. The project will cost Rs. 1,00,000 and will have a life of 5 years and no salvage value. The companies tax rate is 30%. No investment allowances allowed. The firm uses straight line method of depreciation. The estimated net income before depreciation and tax are as follows.

Year	1	2	3	4	5
Net Income before Depreciation and Tax	20,000	22,000	28,000	30,000	50,000

Compute the following.

- Pay Back period.
- NPV at 10% discount rate.
- Profitability index at 10%.
- PV factor at 10% is 0.909, 0.826, 0.751, 0.683, 0.621.





10. What is financial management? Explain the goals of financial management.
11. Briefly explain the problems of excess and inadequate working capital faced by the concerns.

### SECTION - D

Answer any One of the following questions. Each question carries 8 marks.  
(1×8=8)

12. a) Prepare an estimate of working capital requirement from the following information.
- Projected annual sales Rs. 1,20,000 units.
  - Selling price Rs.10 per unit.
  - Percentage of net profit as sales 30% average credit period allowed to customer Ten weeks.
  - Average credit period allowed to supplier Five weeks.
  - Average stock holding in terms of sales requirement Five weeks.
  - Allow 15% for contingences.

(OR)

- b) What are the principles Governing good financial planning?

