IV Semester B.B.A. Examination, September 2020 (CBCS) (F+R) (2015-16 and Onwards) BUSINESS ADMINISTRATION Paper – 4.4 : Financial Management

Time: 3 Hours Max. Marks: 70

Instruction: Answer should be completely written in English only.

SECTION - A

1. Answer any five sub-questions. Each question carries 2 marks.

 $(2 \times 5 = 10)$

- a) What do you understand by business finance?
- b) Give the meaning of financial plan.
- c) What is leverage?
- d) What is investment decisions?
- e) Give the meaning of dividend policy.
- f) Name the various kinds of working capital.
- g) State the techniques of time value of money.

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SECTION - B

Answer any three questions. Each question carries 6 marks.

 $(3 \times 6 = 18)$

- 2. State the objectives of financial management.
- 3. What are the principles of motives for holding cash?
- 4. Briefly explain the various forms of dividend.
- 5. Following information is taken from the records of X Ltd. Company:

Installed capacity 1000 units

Operating capacity 800 units

Selling price per unit ₹ 10

Variable cost per unit ₹ 0.70.

Calculate the operating leverage under the following situations:

Fixed Costs : Situation A – ₹ 800

Situation B – ₹ 1,200

P.T.O.



6. Calculate the average rate of return for the Project A and Project B from the following:

	Project A	Project B
Investments ₹	20,000	30,000
Expected life	4 yrs.	5 yrs.

Project net income (after interest, depreciation and taxes)

Years		1	2	3	4	5
Project A		2,000	1,500	1,500	1,000	-
Project B	(8)	3,000	3,000	2,000	1,000	1,000

If the rate of return @ 12% which project should be undertaken?

SECTION - C

Answer any three of the following questions. Each question carries 14 marks. (3×14=42)

- 7. Explain the various steps involved in capital budgeting process.
- 8. What is working capital? Discuss the various sources of working capital funds.
- 9. What are the sources of bonus issue? Write detailed note on the issue of bonus share.
- 10. Determine the EPS of a company which has an EBIT of ₹ 2,00,000. Its capital structure consists of the following securities.

10% Debentures - ₹ 6,00,000

12% Preference shares – ₹2,00,000

Equity shares of ₹ 100 each ₹ 5,00,000

The company is in the 30% tax bracket. Determine the percentage change in EPS associated with 25% increase and 25% decrease in EBIT.



11. A firm's cost of capital is 10%. It is considering two mutually exclusive projects X and Y. The details are given below:

		Project X	Project Y	PV factor
		₹	₹	at 10%
Investments		1,40,000	1,40,000	Mex. t.4p
Net cash inflows:				
	Years			
	1	20,000	1,20,000	0.909
	2	40,000	80,000	0.826
a) What drives	3	60,000	40,000	0.751
	4	90,000	20,000	0.683
	5	1,20,000	20,000	0.621
		3,30,000	2,80,000	

Calculate payback period and net present value of each project.

