

IV Semester B.B.A. Examination, September/October 2022

(CBCS Scheme)

(F + R) (2015 – 16 Onwards)

BUSINESS ADMINISTRATION

Paper – 4.4 : Financial Management

Time : 3 Hours

Max. Marks : 70

Instruction : Answer should be written in **English** only.

SECTION – A

1. Answer **any five** sub-questions of the following. **Each** sub-question carries **two** marks. **(5×2=10)**
- Give the meaning of financial management.
 - Mention any two functions of financial management.
 - What is meant by discounting technique ?
 - What is operating leverage ?
 - The investment of the project is ₹ 2,00,000. Salvage value is 15% and its additional working capital is ₹ 20,000. Calculate average investment.
 - State the techniques of capital budgeting.
 - What is doubling period ?

SECTION – B

Answer **any three** questions. **Each** question carries **6** marks. **(3×6=18)**

- Briefly explain the advantages of Profit maximisation.
- Calculate the future value of ₹ 12,000 for 4 years and the interest on it is compounded at 12% p.a. half yearly. Given $(1.06)^8 = 1.594$.
- Briefly explain any six determinants of a capital structure.



5. Calculate two companies in terms of its financial and operating leverage.

	Firm A	Firm B
Sales	₹ 20,00,000	₹ 30,00,000
Variable Cost	40% Sales	30% Sales
Fixed Cost	₹ 5,00,000	₹ 7,00,000
Interest	₹ 1,00,000	₹ 1,25,000

6. A company is requiring a machine requires an investment of ₹ 1,60,000. The net income before tax and depreciation is estimated as follows.

Year	₹
1	56,000
2	48,000
3	30,000
4	64,000
5	80,000

Depreciation is to be charged on straight line basis. The tax rate is 40%. Calculate ARR.

SECTION – C

Answer **any three** questions of the following. **Each** question carries **14** marks.

(3×14=42)

7. Explain the various principles of sound financial planning.
8. Explain the various sources of working capital funds.
9. Explain the determinants of dividend policy of the organisation.
10. A company as a EBIT of ₹ 4,80,000 and its capital structure consist of the following securities.

Equity Share Capital (₹ 10 each) ₹ 4,00,000.

12% Preference Shares ₹ 6,00,000.

14.5% Debentures ₹ 10,00,000.

The company is facing fluctuations in its sales. What would be the changes in EPS ?

- 1) If EBIT of the company increased by 25% and
- 2) If EBIT of the company decreased by 25%.

The Corporate tax is 35%.





11. Rachith Ltd. is considering to mutual exclusive proposals for the purpose of a new equipment.

Particulars	Machine X	Machine Y
Net cash outlay	₹ 1,00,000	₹ 75,000
Scrap value	NIL	NIL
Life (Years)	5	5

Project before depreciation and taxes :

1	25,000	18,000
2	30,000	20,000
3	35,000	22,000
4	25,000	20,000
5	20,000	16,000

Assuming the tax rate to be 50% and suggest the management the best alternatives using PV factor @ 10%.

Year	1	2	3	4	5
PV factor @ 10% p.a.	0.909	0.826	0.751	0.683	0.621

You are required to calculate :

- a) Pay back period
- b) Net present value.

g) What is doubling period? _____

SECTION - B

Answer any three questions. Each question carries 6 marks

(3x6=18)

2. Briefly explain the advantages of Profit maximisation.

3. Calculate the future value of ₹ 12,000 for 4 years and if the interest on it is compounded at 12% p.a. half yearly. Given $(1.06)^4 = 1.262$.

4. Briefly explain any six determinants of capital structure.