



III Semester B.B.A. Examination, March/April 2022
(Fresh) (CBCS) (2021 – 22 and Onwards)
BUSINESS ADMINISTRATION
Paper – 3.6 : Business Finance

Time : 3 Hours

Max. Marks : 70

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

SECTION – A

1. Answer **any 5** sub-questions. **Each** question carries **2** marks. **(5×2=10)**
- a) Give the meaning of scrip dividend.
 - b) Define financial management.
 - c) What is operating leverage ?
 - d) Original investment ₹ 5,00,000, scrap value ₹ 50,000, life of the asset 5 years, additional working capital ₹ 75,000, find out average investment.
 - e) Expand PVCIF, IRR.
 - f) How do you accept or reject project under NPV ?
 - g) Define the term capital structure.

SECTION – B

Answer **any three** questions. **Each** question carries **5** marks. **(3×5=15)**

2. Brief the significance of capital budgeting decision.
3. State the functions of a financial manager.
4. The following information is available in respect of a product.
 Units sold 75,000
 Selling price per unit ₹ 10
 Fixed costs ₹ 1,00,000
 Variable cost ₹ 6 per unit
 9% debt of ₹ 2,00,000
 Calculate the three types of leverages.

P.T.O.



5. Prepare an estimate of working capital requirements from the following details.
- Projected annual sales ₹ 10,00,000
 - Projected net profit on sales 20%
 - Average collection period allowed to customers 6 weeks
 - Average credit period allowed by suppliers 5 weeks
 - Average stock requirement 1 month
 - Allow 10% for contingencies.
6. Initial outlay of the project is ₹ 2,00,000 and its profits after depreciation and tax (PAT) for five years are ₹ 20,000, ₹ 25,000, ₹ 30,000, ₹ 35,000 and ₹ 40,000 respectively. Calculate return on investment.

SECTION – C

Answer **any three** questions. **Each** question carries **12** marks. (3×12=36)

- Explain the determinants of working capital requirements.
- Brief the forms of dividends. State the merits and demerits of stock dividend.
- SLV Ltd. is considering the purchase of a machine. Two machines are available. Cost of each machine is 60,000. Net profits before tax during 5 years are given below.

Year	Machine Swara	Machine Madhurya
	₹	₹
1	15,000	5,000
2	20,000	15,000
3	25,000	20,000
4	15,000	30,000
5	10,000	20,000

Income tax rate is 50%. Suggest which machine is preferable under PBP method.



10. Lahari Ltd. is capitalised with ₹ 25,00,000 divided into 25,000 equity shares of ₹ 100 each. The management decides to raise another ₹ 25,00,000 to finance a major expansion program. There are four possible plans.

- a) All equity shares
- b) ₹ 10 lakhs in equity and balance in debt @ 10% interest
- c) All debt @ 6% interest
- d) ₹ 10 lakhs in equity and ₹ 15 lakhs in preference shares carrying 9% dividend.

The existing EBIT of the company is ₹ 3,50,000 p.a. Calculate EPS in all the above four plans and suggest which plan is preferable.

11. Aravind Ltd. is considering an investment on a project requiring a capital outlay of ₹ 2,00,000. Forecast of annual income before depreciation and tax (EBDT) are as follows :

Years	1	2	3	4	5
EBDT (₹)	1,40,000	1,40,000	1,20,000	1,20,000	90,000

The company's tax rate is 40% and charges 20% depreciation on original cost.

You are required to ascertain

- a) Pay back period
- b) Net present value using 15% cost of capital [PVF @ 15% are : 0.870, 0.756, 0.658, 0.572, 0.497]

SECTION – D

Answer the following questions carrying 9 marks.

(1×9=9)

12. Draw the organisation chart of finance function of a company.

OR

Prepare an estimated capital structure of a company with imaginary figures.
