105755

No. of Printed Pages : **2**

GS-522

IV Semester B.B.A. Examination, May/June - 2019
(CBCS (F+R) 2015-16 & onwards)

BUSINESS ADMINISTRATION

4.4 Financial Management

Time : 3 Hours

Max. Marks : 70

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

SECTION - A

Answer **any Five** sub-questions of the following and each carries **two** marks.

5x2=10

1. (a) Mention any four functions of financial management.

(b) What is combined Leverage ?

(c) What do you mean by dividend policy ?

(d) Give the meaning of profitability index.

(e) What is mean by optimal capital structure ?

(f) How do you calculate E.P.S.?

(g) What is time value of money ?

SECTION - B

Answer **any three** questions of the following each question carries **six** marks.

3x6=18

2. What are the advantages of Accounting rate of return method ?

3. Distinguish between operating Leverage and Financial Leverage.

4. Explain the factors determining financial plan.

5. A firm has sales of ₹ 10,00,000, variable cost of ₹ 5,00,000, fixed cost of ₹ 2,00,000 and debt of ₹ 5,00,000 at 10% interest. Calculate operating, Financial and combined leverage.

6. P.K. Ltd. invested ₹ 2,00,000 on some project, the project generates profit before depreciation and tax of ₹ 70,000 p.a. for a period of 5 years. The scrap value of the project at the end 5^{th} year is zero. Determine the average rate of return for the project, assuming 50% tax rate and straight line method of providing depreciation.

Calculate average rate of return.

SECTION - C

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

3x14=42

7. Explain the functions of finance manager.

8. Explain in detail the defferent determinants of working capital requirements of a company.

9. Explain the factors which determine the dividend policy of a Company.

10. Bharath Electronics Ltd. is considering the purchase of a machine. Two machines are available, each costing ₹ 3,00,000 in comparing the profitability of these two machines a discount rate of 10% is to be used. Earnings after tax are expected to be as follows.

Years	**Machine - A**	**Machine - B**
	₹	₹
1	90,000	30,000
2	1,20,000	90,000
3	1,50,000	1,20,000
4	90,000	1,80,000
5	60,000	1,80,000

Following are the P.V factors of ₹ 1 at 10% p.a. for the years 1 to 5 :

Year	1	2	3	4	5
PV at 10%	0.909	0.826	0.751	0.683	0.621

Evaluate the proposal under :

(1) The Accounting rate of return (A.R.R)

(2) The Net Present Value (N.P.V)

11. A Company has EBIT of ₹ 4,80,000 and its capital structure consist of the following securities.

Equity share capital (₹10 each)	₹ 4,00,000
12% preference share (₹100 each)	₹ 6,00,000
14.5% Debenture	₹ 10,00,000

The Company is facing fluctuation in its sales. What would be the percentage changes in EPS

(a) If EBIT of the Company increase by 25%

(b) If EBIT of the Company decrease by 25%

The Company tax rate is 35%

- o O o -