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

(Repeaters) (CBCS)

(2015 – 16 and Onwards)

BUSINESS ADMINISTRATION

Paper – 4.4 : Financial Management

Time : 3 Hours

Max. Marks : 70

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

SECTION – A

1. Answer **any five** sub-questions of the following. **Each** question carries **two** marks. (2×5=10)
- a) Define financial management.
 - b) Give the equation for EPS.
 - c) Fixed cost is Rs. 2,50,000, Profit is 1,75,000, Sales is Rs. 7,45,000. Calculate contribution.
 - d) EBIT = 5,00,000, EBT = 3,00,000, calculate financial leverage.
 - e) Mention any four functions of financial management.
 - f) Give the meaning of time value of money.
 - g) Give the meaning of cash dividend.

SECTION – B

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

- 2. Briefly explain the prime objectives of financial management.
- 3. Explain briefly the characteristics of a sound financial plan.

P.T.O.



4. Compare the two companies in terms of operating leverage and financial leverage.

	Firm X	Firm Y
Sales	30,00,000	45,00,000
Variable cost	35% on sales	45% on sales
Fixed cost	8,00,000	9,00,000
Interest	2,00,000	3,00,000

Interpret the results of the firm.

5. Mr. Anil deposits Rs. 4,000 at the end of every year for 5 years and the deposits earn a compound interest @ 10% p.a. Determine how much money he will have at the end of five years ? Given $(1.10)^5 = 6.105$.
6. Discuss the salient features of NPV method.

SECTION – C

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

(14×3=42)

7. What do you understand by dividend policy ? Enumerate the factors that determine the dividend policy.
8. Give the meaning of working capital. Explain the dangers of excessive and inadequate working capital.
9. A firm's cost of capital is 10%. It is considering two mutually exclusive projects X and Y. The details are given below :

Particulars	Project X	Project Y
	₹	₹
Investment	15,00,000	15,00,000
Net annual cash flows :		
1	2,00,000	8,00,000
2	4,00,000	8,00,000
3	6,00,000	4,00,000
4	9,00,000	2,00,000
5	12,00,000	2,00,000



Compute :

A) Payback period

B) NPV

P.V. factor at 12% for 5 years.

Year	1	2	3	4	5
P.V. factor @ 12%	0.893	0.797	0.712	0.636	0.567

10. ABC Ltd. is capitalised with Rs. 7,00,000 divided into 70,000 equity shares of Rs. 10 each. The management plans to raise another Rs. 5,00,000 to finance some expansion programme.

The following are the four possible plans :

- 1) All equity shares.
- 2) Rs. 2,50,000 in equity shares and the balance in debentures carrying 10% interest.
- 3) Rs. 2,50,000 in equity shares and Rs. 2,50,000 in preference shares carrying 10% dividend.
- 4) All debentures carrying 8% interest.

The existing EBIT amounts to Rs. 60,000 p.a. Calculate EPS in all the above four plans.

11. Discuss the factors affecting capital budgeting decisions of a firm.
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