

**END TERM EXAMINATION****FIFTH SEMESTER [BBA] Dec.2013-January 2014****Paper Code: BBA-309****Subject: Financial Management****Time: 3 Hours****Maximum Marks: 75**

**Note: Attempt any five questions, including Q.no.1 which is compulsory.  
All question carry equal marks.**

1. Write short notes on any five of the following:

- i. Commercial Paper
- ii. Certificate of Deposit
- iii. Loan Financing
- iv. Types of Shares
- v. Receivables Management
- vi. Overtrading and Undertrading
- vii. Inventories
- viii. Dividend Policy
- ix. Cost of Capital

2. What is Financial Management? What are its objectives? Also discuss the relationship between financial management and other areas of management?

3. X Ltd. has an EBIT of Rs.1 lakh. The cost of debt is 10% and the outstanding debt amounts to Rs. 4.0 lakhs. Presuming the overall capitalisation rate as 12.5%. Calculate the total value of the firm and equity capitalisation rate?

4. Explain Time Value of Money? Define Leverage? Also briefly describe the concept of cost of capital?

5. XY Ltd. wants to replace its existing plant. It has received three mutually exclusive proposals I, II and III. The plants under the three proposals are expected to cost Rs.2,50,000 each and have an estimated life of 5 years, 4 years and 3 years respectively. The company's required rate of return is 10%. The anticipated net cash inflows after taxes for the three plants are as follows:

Years	Plant I	Plant II	Plant III
	Rs	Rs	Rs
1	80000	110000	130000
2	60000	90000	110000
3	60000	85000	20000
4	60000	35000	-
5	180000	-	-

**P.T.O.**



Which of the above proposals would you recommend to the management for acceptance using NPV technique for evaluation:

Years	PVF(10%)
1	0.909
2	0.826
3	0.751
4	0.683
5	0.621

6. Pay off Ltd. is producing articles mostly by manual labour and is considering to replace it by a new machine. There are two alternative models M and N of the new machine. Prepare a statement of profitability showing the pay-back period from the following information:

	Machine M	Machine N
Estimated life of machine	4 years	5 years
	Rs.	Rs.
Cost of machine	9000	18000
Estimated saving in scrap	500	800
Estimated savings in direct wages	6000	8000
Additional cost of maintenance	800	1000
Additional cost of supervision	1200	1800
Ignore taxation.		

7. What is Management of Working Capital? Why is it necessary? Also mention the types of Working Capital and briefly explain JIT Approach?

8. A company has sales of Rs. 1 lakh. The variable costs are 40% of the sales while the fixed operating costs amount to Rs. 30000/-. The amount of interest on long term debt is Rs. 10000/-. Calculate the Composite Leverage and also illustrate its impact if sales increase by 5%.

\*\*\*\*\*