

Unit-III

6. Explain the concept of financial leverage and show its impact on EPS. Describe the merits and demerits of various measures of financial leverage.
7. What is traditional approach of capital structure ? Discuss the three stages of this approach.

Unit-IV

8. Explain the types of dividend policies and the determinants of dividend policy.
9. Why does a firm maintain inventories ? What are the costs associated with inventories ?

Roll No.

57531

**B.B.A. 4th Semester
(N.S.) 2014-2017**

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Financial Management

Paper-BBAN-401

Time : 3 hours

Max. Marks : 80

Before answering the questions, candidates should ensure that they have been supplied the correct and complete question paper. No complaint in this regard will be entertained after the examination.

Note : Attempt compulsory question No. 1 from section-A and four questions from section-B (one question from each unit). All questions carry equal marks.

Section-A

1. (a) Highlight the importance of financial management.

- (b) Find the future value of ₹1,000 invested for 3 years at 10% rate of interest.
- (c) What are the objectives of investment decisions ?
- (d) What is explicit cost ?
- (e) Explain the meaning and utility of operating leverage.
- (f) How is EBIT calculated ?
- (g) Why should a firm pay dividends ?
- (h) What are the motives for holding cash?

Section-B

Unit-I

2. Discuss the scope of financial management. How does the role of modern finance manager differ from that of a traditional finance manager ?
3. You make a fixed deposit of Rs. 1,00,000 for 5 years at 12% rate of interest, in a bank.

57531-3250-(P-4)(Q-9)(16) (2)

How much amount would you receive after five years if the interest is compounded :

- (a) Annually,
- (b) Half-yearly,
- (c) Quarterly and
- (d) Monthly ?

Unit-II

4. (a) Explain the meaning and significance of cost of capital.
- (b) What is capital rationing ? What are the reasons for capital rationing ?
5. Cash flows associated with two mutually exclusive projects x and y are as given below:

Cash flows (Rs.)

	Year 0	Year 1	Year 2	Year 3
Project x	-25000	15000	15000	25640
Project y	-28000	11672	12672	13672

Which project should be chosen if the cost of capital is 12% ?

57531-3250-(P-4)(Q-9)(16) (3)

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