

(Please write your Exam Roll No.)

Exam Roll No.

END TERM EXAMINATION

FIFTH SEMESTER [BBA] DECEMBER 2016

Paper Code: BBA-309

Subject: Financial Management

BBA(TTM)-309

BBA(MOM)-309

Time: 3 Hours

Maximum Marks: 75

Note: Attempt any five questions. Interest rate table of Present values & Future value of an amount and of an Annuity are allowed. Use of Calculator is allowed. All question carry equal marks.

- Q1 (a) A company offers to refund an amount of Rs. 44650 at the end of 5 years for a deposit of Rs. 6,000 made annually. Find out the implicit rate of interest offered by the company.
(b) A loan of Rs. 1,00,000 is taken from a bank on which interest is payable 10% p.a. If the loan is repaid in annual installments in a period of 15 years, find out the payable amount of annual installment.

- Q2 XYZ & Co. has three financial plans before it. Plan I, Plan II and Plan III Calculate operating and financial leverage for the firm on the basis of the following information and also find out highest and lowest value of combined leverage:

Production:	800 Units
Selling price per Unit	Rs.15
Variable Cost per Unit	Rs. 10

Fixed Cost:

Situation A :-	Rs. 1000
Situation B :-	Rs. 2000
Situation C :-	Rs. 3000

Capital Structure:

	Plan I	Plan II	Plan III
Equity Capital	Rs. 5000	Rs. 7500	Rs. 2500
12% Debt	5000	2500	7500

- Q3 ABC company has an investment opportunity costing Rs. 1,00,000 with the following expected cash inflow (i.e. after tax and before depreciation):

Year	Inflows (Rs.)
1	17,000
2	17,000
3	17,000
4	17,000
5	17,000
6	18,000
7	20,000
8	15,000
9	14,000
10	12,000

- Q4 Enumerate the factors which affect the cash needs of a firm. What are the objectives of cash management?
- Q5 State the different approaches to the calculation of cost of equity. Are retained earnings cost free?
- Q6 A company is planning to make an investment of Rs. 10,00,000 and its expects to earn Rs. 5,00,000 by the year end. Presently the company has 50000 outstanding shares and the shares of the company in trading at a price of Rs. 125. The company expects to pay the shareholders. Rs 10 as dividend next year. The company's required rate of return is 15%. Using MM approach, find the following:
 (i) Value of firm if dividend is declared.
 (ii) Value of firm when dividend is not declared.
- Q7 (a) Explain briefly the factors which affect the dividend policy of a firm.
 (a) Discuss the difference between bonus shares and stock splits.
- Q8 Calculate the operating cycle of a company:

Particulars	Amount Rs.
Raw Material consumption p.a.	8,42,000
Annual cost of production	14,25,000
Annual Cost of sales	15,30,000
Annual sales	19,50,000
<u>Average value of current assets hold</u>	
Raw Material	1,24,000
Work in progress	72,000
Finished goods	1,22,000
Debtors	2,60,000

The company gets 30 days credit from its suppliers. All sales of the firm are made on credit basis. Number of days in a year = 365 days.

- Q9 Write a short note on **any three**:
 (a) Over & Under Trading
 (b) Global Depository Receipts
 (c) Factoring
 (d) Commercial Papers
