

Roll No. ....

Total Pages : 5

**BBA/M-20**

**10514**

**Financial Management**

Paper - BBA-212

*Time allowed : 3 Hours*

*Maximum Marks : 80*

**Note :** Attempt five questions in all. Question No. 1 is compulsory.

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**Compulsory Question**

1. (i) Discuss the modern approach of financial management.
- (ii) Evaluate a project on the basis of IRR method.
- (iii) Explain weighted average cost of capital.
- (iv) State the importance of capital structure.
- (v) What is operating cycle with reference to working capital ?

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- (vi) What is ploughing back of profits ? 16
2. How will you determine the financial requirement of business. Explain. 16
3. The Radex Company is considering investment in a machine that produces product A. The machine cost will Rs. 5,00,000. In the first year 10000 unit of A will be produced and the price will be Rs. 20 per unit. The volume is expected to increase by 20% and the price of product by 10% The material used to manufacturer the product is becoming more expensive. The cost of Production is therefore expected to increase by 15%. The production cost in the first year will be Rs. 10 per unit. The company used straight-line depreciation on the machine for tax purpose. There will be no salvage value of 5 year of the machine. The tax rate is 50% and the discount rate is 20%. Should the machine be bought. 16

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4. What is meant by cost of capital? Explain the methods to calculate cost of equity share capital. 16
5. What do you mean by capital structure. Explain the factors affecting the capital structures. 16
6. The following information is available in respect of the growth firm, normal firm and declining firm.  
 $r = 0.15$  for growth firm,  $0.10$  for normal firm and  $0.08$  for the declining firm

$$k_e = 0.10$$

$$E = \text{Rs. } 10$$

You are required to calculate the dividend policy and value of the firm using Gordon's model when

	D/P Ratio	Retention Ratio
	(1-b)	(b)
(a)	40%	60%
(b)	60 %	40%
(c)	90%	10%

k

	40%	60%
	60%	40%
)	90%	10%

7. Define working capital. Explain the determinants of working capital what are the advantages of adequate working capital ? 16
8. Explain the different short-term source of borrowed capital. 16

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