Roll No. Total No. of Pages: 03

Total No. of Questions: 09

BBA (Sem. - 4)

# FINANCIAL MANAGEMENT

Subject Code: BBA-403-18

M Code: 77425

Date of Examination: 17-12-2022

Time: 3 Hrs. Max. Marks: 60

#### **INSTRUCTIONS TO CANDIDATES:**

- SECTION-A is COMPULSORY consisting of TEN questions carrying TWO marks each.
- 2. SECTIONS-B consists of FOUR Sub-sections: UNITS-I, II, III & IV. Each Sub-section contains TWO questions each, carrying TEN marks each.
- 3. Students have to attempt any ONE question from each Sub-section.

**SECTION-A** 

- 1. Write short notes on:
  - a) Liquidity decision
  - b) Annuity
  - c) Retained earnings
  - d) Capital structure
  - e) Operating leverage
  - f) Capital budgeting
  - g) Payback period
  - h) Treasury bills
  - i) Working capital cycle
  - j) Weighted average cost of capital

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## **SECTION-B**

## UNIT-I

- 2. Discuss the meaning, nature and scope of financial management.
- 3. "A rational human being has a time preference for money." What are the reasons for such preference and illustrate with suitable examples?

#### **UNIT-II**

- 4. What do you understand by the term 'Leverage'? How does it affect the profits of a firm? Compare the nature of financial leverage with operating leverage.
- 5. The following is the capital structure of XYZ ltd.

Source	Amount Rs.	Interest rate / Dividend
Equity share capital	25,000	11%
Preference share capital	20,000	10%
Retained earnings	10.000	8%
Debentures   Front	20,000	10%

Tax rate is 50%. Calculate the overall cost of capital.

## **UNIT-III**

6. A company is considering an investment proposal that has the following cash flows:

Projects	Co	C <sub>1</sub>	C <sub>2</sub>	<b>C</b> <sub>3</sub>
A	-10,000	10,000		
В	-10,000	17,500	7,500	
С	-10,000	2,000	4,000	12,000
D	-10,000	10,000	3,000	13,000

YEAR	PV	PV	
	(10%)	(30%)	
1	.909	.769	
2	.826	. 592	
3	.751	. 455	

Rank the projects according to:

- a) ARR method
- b) NPV method

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- 7. Discuss the following two methods of capital budgeting:
  - a) Profitability Index
  - b) Accounting rate of return.

#### **UNIT-IV**

- 8. What is the significance of working capital? What are the different approaches to working capital management?
- 9. Critically evaluate the theories of relevance of dividends.



NOTE: Disclosure of Identity by writing Mobile No. or Marking of passing request on any paper of Answer Sheet will lead to UMC against the Student.

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