BBA (SIM)   (Sem. – 4)
FINANCIAL MANAGEMENT
Subject Code: BBASM-401-18
M Code: 77429
Date of Examination: 13-12-2022

Time: 3 Hrs.   Max. Marks: 60

INSTRUCTIONS TO CANDIDATES:
1. **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 a short note on the following in 2-5 lines:

    a) Define financial management.

    b) What are the limitations of the payback period method?

    c) How does NPV differ from IRR?

    d) Discuss in detail issues in dividend decisions.

    e) Define operating leverage.

    f) What do you mean by the time value of money?

    g) Define short term sources of finance.

    h) What do you mean by retained earning?

    i) Define accounting rate of return method.

    j) What do you mean by working capital?

SECTION-B
UNIT-I

2. Define the modern concept of finance. Discuss in detail the nature, scope and importance of finance functions. Comment on the emerging role of financial manager in India.

3. "The amount of fixed capital needed varies directly with the amount of fixed asset owned" Explain what are the factors that influence the estimation of fixed asset requirements of business?

UNIT-II

4. a) Define operating and financial leverage. How can you measure the degree of operating and financial leverage, explain with an example?

   b) What is the Indifference point in the EBIT- EPS analysis? How would you compute it?

5. What do you mean by the equity shares and preference share? Explain the feature of equity shares and preference shares. What are the pros and cons of equity shares from the company's and investor's point of view? What is common between equity shares and preference shares in India?

UNIT-III

6. Define the concept of capital budgeting. Discuss in detail with the help of examples, techniques of budgeting. How decision tree analysis approach can be used in capital budgeting decision?

7. There are two projects A and B. A has a service life of one year. The initial cash outlay for both the projects is assumed to be Rs. 20000 each. The cash proceeds from project A (at the end of first year) amounts to Rs 24000. The cash generated by project B at the end of fifth year is likely to be Rs. 40200. Assume that the required rate of return is 10 percent, Compute and compare NPV and IRR of the two projects.

UNIT-IV

8. a) The earnings per share of a company are Rs.10. It has an internal rate of return of 15 percent and the capitalization rate of its risk class is 12.5 percent. If Walter's model is used:

   i)   What should be the optimum payout ratio of the firm?

   ii) What should be the price of the share at this payout?

   iii) How shall the price of the share be affected if a different payout were employed?

   b) What is Modigliani Miller's Irrelevance hypothesis? Critically evaluate its assumption?

9. Describe the concept of Working Capital Management. What are the components of working capital? 'The use of current liability as opposed to long term debt subjects the firm to greater risk of illiquidity' Examine.

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.