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SA – 816

IV Semester B.B.M. Examination, April/May 2015  
( Prior to 2013-14) (Repeaters)  
**BUSINESS MANAGEMENT**  
Paper – 4.4 : Financial Management  
(100 Marks – 2012-13 Only/90 Marks – Prior to 12-13)

Time : 3 Hours

Max. Marks : 100/90

- Instructions :** 1) Answer **all** questions in **English** only.  
2) Section **A, B** and **C** to be answered by **all** repeaters  
(90 marks).  
3) Section – **D** to be answered by students of **2012-13** only  
(100 marks).

SECTION – A

1. Answer **any 10** sub-questions. **Each** question carries **two** marks. (10×2=20)
- What are financing decisions ?
  - What is financial management ?
  - How do you calculate financial leverage ?
  - Mention any two types of debentures ?
  - What is marginal cost of capital ?
  - What is EBIT ?
  - Define capital structure.
  - Give the meaning of cash dividend.
  - What is receivables management ?
  - Mention any two motives of holding cash.
  - Profit after tax is Rs. 80,000 and No. of Eq. shares is 5,000 shares. Find out EPS.
  - What is a capital market ?

SECTION – B

Answer **any 5** questions. **Each** question carries **5** marks. (5×5=25)

2. State the factors influencing financial plan.

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3. List any 5 advantages of equity shares.
4. A Co. issues 10,000, 10% pref. shares of Rs. 100/- each redeemable after 10 years at a premium of 5%. The cost of issue is Rs. 2 per share. Calculate the cost of pref. share capital.
5. Calculate operating leverage and financial leverage from the following data :

	Rs.
Sales	75,000
Variable cost	30,000
Fixed cost	20,000
Interest	5,000

6. What are the various forms of dividend ? Explain.
7. A project costs Rs. 5,00,000 and yields an annual profit of Rs. 80,000 after depreciation at 12% p.a., but before tax @ 50%. Calculate the pay back period.
8. From the following capital structure of a company, calculate weighted average cost of capital :

Sources of funds	Book value Rs.	After tax cost %
Equity share capital (shares of Rs. 10 each @ par)	45,000	14
Retained earnings	15,000	13
Pref. share capital	10,000	10
Debentures	30,000	5
	<b>1,00,000</b>	

#### SECTION – C

Answer **any three** questions. **Each** question carries **15** marks.

**(3×15=45)**

9. What are the factors influencing dividend policy ? Explain.
10. What are the problems associated with Excess Working Capital and Inadequate Working Capital ?



11. ABC Ltd. has an EBIT of Rs. 1,60,000. Its capital structure consists of the following securities :

10% Debentures of Rs. 5,00,000

12% Pref. shares capital of Rs. 1,00,000

Equity shares of Rs. 100 each Rs. 4,00,000

The tax rate of the company is 50%.

You are required to calculate EPS.

a) When EBIT increases by 30%

b) When EBIT decreases by 30%.

12. A company whose cost of capital is 10% is considering two mutually exclusive projects X and Y. The details are

Particulars	Year	Project X	Project Y
Initial investment		Rs. 70,000	Rs. 70,000
Cash inflows :	1	Rs. 10,000	Rs. 60,000
	2	Rs. 20,000	Rs. 40,000
	3	Rs. 30,000	Rs. 20,000
	4	Rs. 45,000	Rs. 10,000
	5	Rs. 60,000	Rs. 10,000

Compute the NPV and profitability index for both the projects.

The PVF @ 10% for each year is

<b>Year :</b>	1	2	3	4	5
<b>PVF :</b>	0.909	0.826	0.751	0.683	0.621

13. Explain the process involved in capital budgeting.

#### SECTION – D

To be answered by students of **2012-13** only.

**(1×10=10)**

14. Explain the factors determining the capital structure.