



SG – 503

16

IV Semester B.B.A. Examination, September/October 2021
(CBCS) (F + R) (2015 –16 and Onwards)
BUSINESS ADMINISTRATION
Paper – 4.4 : Financial Management

Time : 3 Hours

Max. Marks : 70

Instruction : Answer should be completely written in **English** only.

SECTION – A

1. Answer **any five** sub-questions. **Each** question carries **2** marks. (5×2=10)
- What is meant by Time value of money ?
 - How do you calculate EPS ?
 - What is combined leverage ?
 - State any two objectives of Financial Management.
 - What is Cash dividend ?
 - State the techniques of capital budgeting.
 - What is Inventory management ?



SECTION – B

Answer **any three** questions. **Each** question carries **6** marks. (3×6=18)

- Briefly explain the prime objectives of Financial Plan.
- Distinguish between operating leverage and financial leverage.
- What are the advantages of Accounting rate of return method ?
- Compare two companies in terms of Operating leverages and Financial leverages.

	Firm A	Firm B
Sales	₹ 20,00,000	₹ 30,00,000
Variable cost	40% of sales	30% of sales
Fixed cost	₹ 5,00,000	₹ 7,00,000
Interest	₹ 1,00,000	₹ 1,25,000

Interpret the results of the firm.

- Calculate the future value of ₹ 6,000 for 4 years and the interest on it is compounded at 12% p.a. half yearly. Given $(1.06)^8 = 1.594$.

P.T.O.



SECTION – C

Answer **any three** of the following questions. **Each** question carries **14** marks. **(3×14=42)**

7. Explain the functions of Finance Manager.
8. Explain the factors determining working capital.
9. What is Dividend Policy ? Explain the factors which determine the dividend policy.
10. A firm's cost of capital is 10% it is considering two mutually exclusive Projects X and Y. The details are given below.

Particulars	Project – X ₹	Project – Y ₹
Investments	1,50,000	1,50,000
Net cash flow :		
Years		
1	20,000	80,000
2	40,000	80,000
3	60,000	40,000
4	90,000	20,000
5	1,20,000	20,000

Compute :

A) Pay Back Period.

B) NPV.

P.V. factor at 12% for 5 years

Year	1	2	3	4	5
P.V. Factor @12%	0.893	0.797	0.712	0.636	0.567

11. K. R. Ltd. is capitalised with ₹ 5,00,000 divided into 50,000 Equity shares of ₹ 10 each. The Management desires to raise another ₹ 5,00,000 to finance some expansion programme. There are four possible financing plans.
 - i) All Equity shares.
 - ii) ₹ 2,50,000 in Equity shares and the balance in debentures carrying 10% interest.
 - iii) ₹ 2,50,000 in Equity shares and ₹ 2,50,000 in preference shares carrying 10% dividend.
 - iv) All Debentures carrying 8% interest.

The existing EBIT amounts to ₹ 60,000 p.a. Calculate EPS in all the above four plans.