



SM – 528

IV Semester B.B.A. Examination, May/June 2018
(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 of the following. **Each** sub-question carries **two** marks : (5×2=10)
- What is meant by Business Finance ?
 - Give the meaning of financial planning.
 - What is meant by discounting technique ?
 - What is meant by deleveraging ?
 - Cost of plant is ₹ 2,00,000 and cash flows for the first 3 years are ₹ 60,000, ₹ 90,000 and ₹ 1,00,000. Express the PBP in terms of years.
 - What is meant by Scrip dividend ?
 - Mention any two objects of inventory management.



SECTION – B

Answer **any three** questions of the following. **Each** question carries **six** marks : (3×6=18)

- Compare profit maximization with wealth maximization, how wealth maximization is superior to profit maximization.
- Find the sum of money required to acquire a property for 10 years yielding annual return of ₹ 15,000 at the end of the year, if the interest rate is 10% p.a. compounded annually by using the present value of immediate annuity formula

$$PVI An = \frac{A}{i} \left[1 - \frac{1}{(1+i)^n} \right]$$

P.T.O.



4. A firm has sales of ₹ 20,00,000, variable cost of ₹ 14,00,000, fixed cost of ₹ 4,00,000 and debt of ₹ 10,00,000 at 10% interest. Calculate operating, financial and combined leverage.
5. A company is requiring a machine which requires an investment of ₹ 1,60,000. The net income before tax and depreciation is estimated as follows :

Year	1	2	3	4	5
NIBTD (₹)	56,000	48,000	30,000	64,000	80,000

Depreciation is to be charged on straight line basis. Tax rate is 30%. Calculate ARR.

6. What is meant by cash dividend and stock dividend ? State the differences between both the forms of dividend.

SECTION - C

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

7. Explain in detail the organization structure of a finance department.
8. Hero Limited and Honda Limited are identical except that former is not levered while the latter is levered. The particulars are as follows :

Particulars	Sun Ltd. (₹)	Moon Ltd. (₹)
Equity share capital (₹ 10 each)	10,00,000	5,00,000
8% debt capital	-	5,00,000
Assets	10,00,000	10,00,000
Return on assets	20%	20%

Calculate the EPS assuming the tax rate of 30% and would it be advantageous to the Moon Ltd. to raise the level of debt to 70% ?





9. VASTU Ltd. is considering an investment decision to install a new machine. The project will cost ₹ 5,00,000/- with a life of 5 years and no salvage value. The company's tax rate is 50%.

The estimated income before depreciation and taxes is as follows :

Year	1	2	3	4	5
IBDT (₹)	1,00,000	1,10,000	1,40,000	1,50,000	2,50,000

Compute the following :

- a) Payback period
- b) NPV @ 10% discount rate
- c) Profitability index.

Following are the PV factors of ₹ 1 @ 10% p.a. for the years 1 to 5.

- 1) 0.909
- 2) 0.826
- 3) 0.751
- 4) 0.683
- 5) 0.621



10. Explain in details the different factors which affect the dividend policy of the organisation.

11. Explain in detail the different determinants of working capital requirements of a company.

$$PVA_n = \frac{A}{i} \left[1 - \frac{1}{(1+i)^n} \right]$$