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BBABMCN 404

**Fourth Semester B.B.A. Degree Examination, June/July 2024
(NEP 2020) (2022 – 23 Batch Onwards)
FINANCIAL MANAGEMENT (DSCC)**

Time : 2 Hours

Max. Marks : 60

Instruction : Show working notes *whenever necessary*.

SECTION – A

Answer **any five** questions (2 marks each).

(2×5=10)

1. What is meant by net working capital ?
2. What is capital budgeting decisions ?
3. What is financial plan ?
4. What is annuity ?
5. What is meant by optimum capital structure ?
6. Write at least 2 types of dividend.
7. Write accept-reject rule of NPV.



SECTION – B

Answer **any four** questions (5 marks each).

(5×4=20)

8. A preference share of Rs. 800 carries dividend of 12% p.a. It will mature after 5 years. It will be redeemed after 5 years at discount of 10%. Calculate value of preference shares.
9. Determine payback period and profitability index from the following information. The cost of capital of the company is 10%. Following are the present value factors at 10%.

Year	1	2	3	4	5
P.V. factor at 10%	.909	.826	.751	.683	.621

P.T.O.



Project details :

Particulars	Amount
Investment	8,00,000
Cash inflow :	
Year	
1	3,20,000
2	3,50,000
3	4,00,000
4	4,10,000
5	4,50,000



10. 'S' Ltd., presents the following details, from which you are required to calculate weighted average cost of capital.

Source	Amount	Cost before tax (%)
Debenture	5,00,000	9
Long term loan	3,00,000	10
Preference share capital	5,00,000	12
Equity	6,00,000	14
Retained earning	5,00,000	13

Note : Tax rate is 30%.

11. Mr. 'S' deposits Rs. 5,000, Rs. 10,000, Rs. 15,000, Rs. 20,000 and Rs. 25,000 in his SB A/c in year 1, 2, 3, 4 and 5 respectively. What is future value of his deposits at interest rate of 6% p.a. ?

12. Explain the nature and significance of capital budgeting.

13. Briefly explain the problems of inadequate working capital.

14. Calculate operating and financial leverage from the following information :

Number of Units sold	50,000 units
Selling price per unit	Rs. 90
Variable cost per unit	Rs. 30
Fixed cost	Rs. 5,00,000
Tax rate	35%
Interest on debenture	Rs. 80,000



SECTION – C

Answer any three questions (10 marks each).

(3x10=30)

15. 'N' Ltd., requests you to prepare a statement showing working capital requirements for a level of activity at 1,56,000 units of production. The following information is available for your calculation.

Particulars	Per Unit
Raw material	90
Direct labour	40
Overheads	75
Total	205
Profit	60
Selling price	265



Raw material are in stock for 1 month, material are in process, (50% complete) on an average for 1 month. Finished goods are in stock for 1.5 month. Credit allowed by supplier is 1 month. Time lag in payment from debtors is 2 months. Average lag in payment of wages is 1.5 weeks and in overhead is 2.5 weeks, 30% of output is sold against cash. Desired minimum cash in hand and at bank is Rs. 90,000. Assume a time period of 52 weeks in a year.

16. A company is considering 2 mutually exclusive investment project. The projects are expected to require Rs. 3,00,000 each and have an estimated life of 5 years. Assuming rate of return is 10%. Calculate :

- 1) NPV at 10% rate of return
- 2) ARR.

Year	PAT		PV Factor at 10%
	Project A	Project B	
1	50,000	80,000	.909
2	60,000	40,000	.826
3	70,000	60,000	.751
4	80,000	40,000	.683
5	90,000	1,50,000	0.621

Depreciate at 10% under straight line method.



17. Calculate EPS from the following information :

EBIT – 10,00,000

Existing capital structure :

10% debt 3,00,000

12% preference capital 5,00,000

Equity (Rs. 100 each) 8,00,000

What happens to your answer if additional capital of Rs. 5,00,000 will be raised from the following debt equity mix :

FP 1 : Debt equity mix of 50 : 50

FP 2 : Debt equity mix of 20 : 80

FP 3 : Debt equity mix of 70 : 30

Assume tax rate of 50%.

(FP : Financial Plan).

18. Write a note on :

a) Steps in financial planning

b) Role of financial manager.

19. Explain the goals in financial management.



Year	Period A	Period B
2008	20000	20000
2009	30000	30000
2010	40000	40000
2011	50000	50000
2012	60000	60000