

Exam. Code : 105404

Subject Code : 1466

**B.B.A. 4th Semester
FINANCIAL MANAGEMENT
Paper - BBA-403**

Time Allowed-3 Hours]

[Maximum Marks-50

Instructions for the Candidates :

- (1) Attempt any **10** questions from Section-A. Each question carries **1** mark. Answer to each question should be in upto **5** lines in length.
- (2) Attempt any **2** questions each from Section B and Section C. Each question carries **10** marks. Answer to each question should not exceed **5** pages in length

SECTION—A

1. Write notes on the following :
 - (i) Profit Maximisation
 - (ii) Cost of Capital
 - (iii) Trading on Equity
 - (iv) Convertible Debentures
 - (v) Bank Overdraft
 - (vi) Spontaneous Finance
 - (vii) Compound Factor

- (viii) Certainty Equivalent Coefficient
- (ix) Core Current assets
- (x) Standard deviation
- (xi) Financial Risk
- (xii) Independent Investment projects.

SECTION—B

2. (a) “Liquidity and Dividend decisions are interdependent”.
Give your comments.
(b) Write a note on the meaning and nature of Financial Management. :
3. “Capital structure is irrelevant aspect as per the MM hypothesis in the absence of taxes”. Critically evaluate this MM without taxes version.
4. Discuss the process of calculation of cost of equity capital separately for each of the situations i.e. when the dividend is growing at constant rate and when the growth rate of dividend is changing. You may take any hypothetical example of your choice.
5. Rhino Cycle Industries Ltd. has assets Rs. 6,40,000 which have been financed with Rs. 2,08,000 of debt and Rs. 3,60,000 of equity and a general reserve of Rs. 72, 000. The firm’s total profits after interest and taxes for the year ending 31st December 2015 were Rs. 54,000. It pays 10% interest on borrowed funds and is in the 50 percent tax bracket. It has 3600 equity shares of

Rs. 100 each selling at a market price of Rs. 120 per share. What is the weighted average cost of capital ?

SECTION—C

6. What is combined leverage ? How do we calculate combined leverage ?
7. Discuss in detail the approaches to working capital finance.
8. Explain Walter's model of dividend decision.
9. There are two exclusive capital expenditure proposals before a professionally managed company. The cost of capital for the proposal is 15%. The finance director considers that the NPV method should be relevant, whereas the managing director feels that IRR method is most appropriate for choosing from the alternatives. Following are the details of the two proposals.

| Year | Cash flows Proposal A | (Rs. Lakhs) Proposal B |
|------|--------------------------|---------------------------|
| 0 | -200 | -200 |
| 1 | 35 | 216 |
| 2 | 80 | 10 |
| 3 | 90 | 10 |
| 4 | 70 | 4 |
| 5 | 20 | 4 |

You are required to calculate :—

- (a) NPV and IRR of each project
- (b) Recommend with reasons which project you would suggest.