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(20516)

BBA-IV Sem.

Roll No.

18056

B. B. A. Examination, May 2016

Financial Management

(BBA-402)

(New)

Time : Three Hours]

[Maximum Marks : 75

Note: Attempt questions from all Sections as per instructions.

Section-A

(Very Short Answer Questions)

Attempt all the *five* questions. Each question carries 3 marks. Very short answer is required not exceeding 75 words. $3 \times 5 = 15$

1. "Profit maximization is the basic goal of a finance manager." Explain.
2. What do you mean by optimal capital structure ?

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3. Differentiate between redeemable and irredeemable debentures.
4. Explain Reorder point.
5. What is meant by interim dividend ?

Section-B

(Short Answer Questions)

Attempt any *two* questions out of the following three questions. Each question carries $7\frac{1}{2}$ marks. Short answer is required not exceeding 200 words. $7\frac{1}{2} \times 2 = 15$

6. "Undercapitalization leads to overcapitalization." Do you agree with this statement ?
7. What is meant by uncertainty ? Explain the different types of uncertainty.
8. What are consequences of excess and inadequate working capital ?

Section-C

(Detailed Answer Questions)

Attempt any *three* questions out of the following five questions. Each question carries 15 marks. Answer is required in detail. $15 \times 3 = 45$

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9. What is the role of finance function in an industrial enterprise ? Explain the functions of a financial manager.

10. The capital structure of X Ltd. on 31st March, 2012 was :

	Rs.
8% Debentures	12,00,000
9% Bank loan (Long- term)	2,00,000
10% Preference Shares of Rs. 10 each	14,00,000
Reserve and Surplus	-13,00,000
38,000 equity shares of Rs. 50 each	19,00,000
	<u>60,00,000</u>

The present earnings before interest and/tax are Rs. 9,00,000. It is hoped that this company will maintain the same rate of return. The company needs Rs. 10,00,000 for an expansion programme. For this following financing alternatives are available :

- (i) Issue of 9% debenture at par
- (ii) Issue of 10% preference shares at par
- (iii) Issue of equity shares at a premium of Rs. 3.

Which alternative is the best for company ? Assume tax rate 50%.

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11. Cost of a machine is Rs. 2,50,000 and its working life is estimated to be 5 years. Annual cash inflows are as under :

Year	Annual cash inflows
1	60,000
2	70,000
3	60,000
4	90,000
5	50,000

Calculate :

- (i) Payback period
- (ii) Post payback profit
- (iii) Index of post pay-back profit.

12. A company purchases 15,625 units of raw material @ Rs. 12 per unit to meet its entire requirement. The order cost comes to Rs. 60 per order and inventory carrying cost is Rs. 1.20 per unit. Find out :

- (i) Economic order quantity
- (ii) Ordering cost
- (iii) Carrying cost
- (iv) Total inventory cost.

13. Explain the Walter's dividend model. Discuss its assumptions and limitations.