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21BBA2C4FM1

BBA II Semester (NEP) Degree Examination, September/October - 2022

MANAGEMENT

Financial Management

Time : 3 Hours | Maximum Marks : 60

Note : *Answer **all** Sections.*

SECTION - A

Answer the following sub-questions. Each sub-question carries **one** mark. **10x1=10**

1. (a) Define Financial management.

(b) Who is a treasurer and controller in Finance Department ?

(c) Define Cost of Capital.

(d) What is WACC ? Give its meaning.

(e) What is payback period ?

(f) List any two Discounted cash flow techniques.

(g) What is EBIT-Eps Analysis ?

(h) What is NOI approach of capital structure theory ?

(i) What is Stable Dividend Policy ?

(j) What is working capital ?

SECTION - B

Answer **any four** questions from the following. Each question carries **five** marks. **4x5=20**

2. What are the functions of Finance managers ? Explain.

3. A Company issues 10% irredeemable debentures of Rs. 1,00,000. It is in the tax bracket of 40%. Calculate cost of debt if the debentures are issued :

(a) at par

(b) at 10% premium

4. Calculate the payback period from the following data.

- Project cost ⇒ Rs. 1,50,000
- Annual profit after depreciation but before ⇒ Rs. 48,000
- Depreciation ⇒ 12% P.A.
- Tax rate ⇒ 50%

5. It is proposed to start a business requiring capital of Rs. 10 lakhs and expected return is 15%. Calculate Eps If :

(a) Total capital required is Financed by way of 100% equity.

(b) Is financed by way of 50% equity and 50% Debt (10% interest)

6. Calculate the number of operating cycles if the customers are given 60 days credit and 30 days credit is taken from creditors. Raw materials are in stock for 30 days. Finished goods are kept for 20 days in stock. Production cycle period is 10 days. Consider 360 days in a year.

7. Calculate "The Combined Leverage" from the following information.

(i)	Sales	-	75,000 Units
(ii)	Selling price	-	Rs. 3 per Unit
(iii)	Variable cost	-	Rs. 1 per Unit
(iv)	Fixed cost	-	Rs. 75,000
(v)	Interest charges	-	Rs. 3,000

SECTION - C

Answer **any three** questions from the following. Each question carries **ten** marks. **3x10=30**

8. Explain any two capital structure theories.

9. The Cost sheet of Rashmi company provides you the following particulars of Elements of cost.

(i)	Materials	-	40%
(ii)	Direct labour	-	20%
(iii)	Overheads	-	20%

The following particulars are further available :

(i) It is proposed to maintain a level of 3,00,000 Units

(ii) Selling price is Rs. 15 per Unit

(iii) Raw materials are expected to remain in stores for an average period of one month.

(iv) Materials will be in process on an average Half a month.

(v) Finished goods are required to be in stock for an average period of one month.

(vi) Credit allowed to debtors is two months.

(vii) Credit allowed by suppliers is one month.

You are required to prepare a statement of "working capital requirement".

10. Calculate the following from the given information.

(a) Payback period

(b) Npv @ 10% pv factor values

(c) ARR

The following project requires an investment of Rs. 2,00,000.

The cash flows are as follows :

Years	(1)	(2)	(3)	(4)	(5)	(6)
Projects Cash Flows	20,000	40,000	40,000	40,000	60,000	60,000
Pv Factor @ 10%	0.909	0.826	0.751	0.683	0.621	0.564

11. The data relating to two companies are as given below :

Particulars	**Company A**	**Company B**
Equity shares at Rs. 10 each	6,00,000	3,50,000
12% Debentures	4,00,000	6,50,000
Output in Units (P.A.)	60,000 (units)	15,000 (units)
Selling price per Unit	Rs. 30	Rs. 250
Fixed cost	7,00,000	14,00,000
Variable cost per Unit	Rs. 10	Rs. 75

You are required to calculate :

(a) Operating leverage

(b) Financial leverage

(c) Combined leverage

12. Answer the following questions :

(a) Briefly explain the method of IRR.

(b) The following are the details of ABC Ltd.

Compare Weighted Average Cost of Capital. (WACC)

Cost of Equity	= 15%	Proportion of Equity	= 70%
Cost of Debt	= 13%	Proportion of Debt	= 25%
Cost of preference shares	= 12%	Proportion of preference shares	= 5%

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