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# 21BBA2C4FM1

Sl. No.

## B.B.A. II Semester Degree Examination, Sept./Oct. - 2024

## MANAGEMENT

### DSC-4 : Financial Management

### (NEP)

Time : 2 Hours Maximum Marks : 60

***Note :*** *Use of time value tables is permitted.*

**SECTION - A**

Answer the following sub questions, each carries **one** mark. **10x1=10**

**1.** (a) Who is the Treasurer ?

(b) State any two functions of the controller.

(c) What is Cost of Equity Capital ?

(d) What is Cost of Preference Capital ?

(e) What is Capital Structure ?

(f) Write any two factors influencing Capital Structure.

(g) What is dividend policy ?

(h) What is Networking Capital ?

(i) What is Capital rationing ?

(j) State the decision rule of PI method.

**SECTION - B**

Answer **any four** of the following, each carries **five** marks. **4x5=20**

**2.** Explain sources of Long term capital.

**3.** What is the modern role of Finance Manager ? Explain.

**4.** Write a note on Modigliani Miller Hypothesis on Dividend.

**5.** X Ltd is earning currently ₹ 2,00,000. It has issued 20,000 shares of ₹ 100 each fully paid. The market price of these shares is ₹ 150 per share. Find out the cost of equity capital.

**6.** Find out the ARR from the following data. Investment is ₹ 2,00,000, life of the project 5 years; profit after tax for year - 1 is 20,000, year - 2 is 25,000, year - 3 is 25,000, year - 4 is 30,000 and year - 5 is 20,000. Assume there is no scrap value.

**7.** A comp. has sales of ₹ 5,00,000, variable costs of ₹ 3,00,000, Fixed cost of ₹ 1,00,000, and 10% Debentures of ₹ 4,00,000. Find out total leverage.

## SECTION - C

Answer **any three** of the following, each carries **ten** marks. **3x10=30**

**8.** Discuss the scope of Financial Management.

**9.** The following are the details of ABC Ltd.

Cost of Equity = 15%, Cost of debt = 13%, Cost of Preference = 12%, Proportions of Capital are : Equity 70%, Debt 25% and Preference 5%. Find out WACC.

**10.** From the following information, calculate the NPV of the two projects and suggest which of the two projects should be accepted assuming a discount rate of 10%.

| **Particulars** | **Project - X** | **Project - Y** |
|---|---|---|
| Investment | 2,00,000 | 3,00,000 |
| Estimated Life | 5 Years | 5 Years |
| Scrap Value | ₹ 10,000 | ₹ 20,000 |

The cash inflows are as follows :

| Year : | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| Project-X : | 50,000 | 70,000 | 70,000 | 80,000 | 20,000 |
| Project-Y : | 20,000 | 1,00,000 | 80,000 | 80,000 | 20,000 |

**11.** A company's capital structure consists of the following :

| | | |
|---|---|---|
| Equity shares of ₹ 100 each | = | ₹ 20 lakhs |
| Retained earnings | = | ₹ 10 lakhs |
| 9% preference shares | = | ₹ 12 lakhs |
| 7% Debentures | = | ₹ 8 lakhs |
| Total | = | ₹ 50 lakhs |

The company earns 12% on its capital. Corporate tax rate is 30%. The company requires a sum of ₹ 25 lakhs to Finance its expansion programme, for which the following alternatives are available to it :

(i) Issue of 20,000 equity shares at a premium of ₹ 25 per share.

(ii) Issue of 8% Debentures

Which of the two Financing alternatives would you recommend and why ?

**12.** A Proforma cost sheet of a manufacturing company provides the following particulars :

| Elements of cost | Amount (₹) P.U. |
|---|---|
| Raw material | 8 |
| Direct Labour | 3 |
| Overheads (including depreciation of ₹ 2 P.U) | 8 |
| Total cost = | 19 |

The following further details are available :

(a) Level of Activity or output = 1,04,000 units

(b) Raw materials in stock = 4 weeks

(c) Work in process (Assume 50% completion) = 2 weeks

(d) Finished goods in store = 4 weeks

(e) Credit allowed to customers = 8 weeks

(f) Credit allowed by suppliers = 4 weeks

75% of output is sold on credit basis. Cash in hand is expected to be ₹ 50,000.

You are required to ascertain working capital requirements of the company considering 10% for contingencies.

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