

S.No. : 452

BBA 2404

No. of Printed Pages : 05

Following Paper ID and Roll No. to be filled in your Answer Book.

**PAPER ID : 27122**

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No.

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## BBA / IMBA Examination 2021-22

(Even Semester)

### FINANCIAL ANALYSIS & DECISION

*Time : Three Hours]*

*[Maximum Marks : 60*

**Note :-** Attempt all questions.

#### SECTION – A

1. Attempt all parts of the following : 8×1=8
- (a) What is ratio?
  - (b) Define cash flow statement.
  - (c) What is underwriting of shares?
  - (d) Define project finance.
  - (e) Define dividend.
  - (f) Define the term retention ratio.

*[P. T. O.*

- (g) What is merchant banking?
- (h) Name any two model of dividend policy.

### SECTION – B

2. Attempt any two parts of the following :  $2 \times 6 = 12$

- (a) What do you mean by the term ratio analysis? Describe various objective of ratio analysis.
- (b) What is dividend policy? Explain relevance and irrelevance theory of dividend.
- (c) Elaborate the various functions of merchant banking.
- (d) Use the following information to calculate current assets, current liabilities and current ratio :

Non-current investment = ₹ 1,50,000

Current investment = ₹ 50,000

Inventory = ₹ 3,00,000

(including loose tools of worth ₹ 1,00,000)

Trade receivables = ₹ 2,00,000

Trade payable = ₹ 1,50,000

Long term borrowing	=	₹ 2,00,000
Short term borrowing	=	₹ 1,00,000
Short term provision	=	₹ 50,000
Cash & bank balance	=	₹ 50,000

### SECTION – C

**Note :-** Attempt all questions. Attempt any two parts from each questions. 5×8=40

3. (a) What is financial statement analysis? Explain its significance and limitations.
- (b) What is financial market? Explain various types of financial markets.
- (c) The following informations are available in respect of ABC Limited :

Earning per share – ₹ 15

Cost of capital – .10

Find out the market price of the share using Walter's model of dividend under different rate of return  $r$ , i.e. 10% and 15% for a payout ratio of 80%.

**[ P. T. O. ]**

4. (a) What is cash flow statement? Discuss its uses and limitations.
- (b) What is dividend? Explain various types of dividend.
- (c) A firm is evaluating a proposal which requires a cash outlay of ₹ 40,000 at present and of ₹ 20,000/- at the end of third year. It is expected to generate cash inflows of ₹ 20,000; ₹ 40,000; ₹ 20,000 of the end of 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> year. Given the rate of discount 10%. Calculate the profitability index of project :

PVF

<b>Year</b>	0	1	2	3	4
<b>10%</b>	1	0.909	0.826	0.751	0.683

5. (a) Elaborate Modigliani and Miller approach of dividend.
- (b) What is venture capital? Explain its advantages as well as disadvantages.
- (c) What is project feasibility analysis? Explain non-financial aspects of project.

6. (a) What is sensitivity analysis? Explain its importance in project selection.
- (b) Elaborate various types of securities.
- (c) Assuming that the rate of return expected by investor is 11%; internal rate of return is 12% and earning per share is ₹ 15. Calculate market price per share by Gordon's approach of dividend policy if the pay out ratio is 10% and 30%.

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