

S.No. : 520

BBA 403

No. of Printed Pages : 04

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

PAPER ID : 7121

Roll
No.

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BBA / IMBA Examination 2021-22

(Even Semester)

FINANCIAL MANAGEMENT

Time : Three Hours]

[Maximum Marks : 100

Note :- Attempt all questions.

1. Attempt any four parts of the following : $7 \times 4 = 28$
 - (a) Discuss the functions of financial management.
 - (b) Discuss cost of capital and its various components.
 - (c) Explain the factors influencing capital structure.
 - (d) Differentiate between shares and debentures.
 - (e) XYZ Limited has the following book-value capital structure as on 31st March, 2017 :

[P. T. O.

	₹
Equity share capital (2,00,000 shares)	40,00,000
11.5% preference shares	10,00,000
10% debentures	30,00,000
	80,00,000

The equity shares of the company sells for ₹ 20. It is expected that the company will pay next year a dividend of ₹ 2 per share; which is expected to grow at 5% per annum. Assume 35% corporate tax rate. Compute the weighted average cost of capital (WACC).

- (f) Discuss why the NPV method of project appraisal is regarded superior to IRR method.

2. Attempt any four parts of the following : $7 \times 4 = 28$

- (a) What is optimal capital structure? Discuss any one theory of capital structure in detail.
- (b) What is credit policy? What are the elements of a credit policy?

- (c) Unit sold 60,000, sales price per unit = ₹ 12, fixed cos ₹ 60,000, variable cost = ₹ 6 per unit, 10% debt capital of ₹ 1,20,000. Calculate financial and operating leverage.
- (d) Why is dividend policy important for a firm? Also, discuss the various determinants of a dividend policy.
- (e) 'Cash budget is an important techniques of cash management.' Explain.
- (f) The initial cash outlay of a project is ₹ 1,00,000 and it generates cash inflow of ₹ 40,000, ₹ 30,000, ₹ 50,000, ₹ 20,000, 10% rate of discount. Calcualte profitability index :

Year	1	2	3	4
Discount factor at 10%	.909	.826	.751	.683

3. Attempt any two parts of the following : 11×2=22

- (a) Briefly explain the factors influencing the amount of working capital.
- (b) Explain the scope and importance of financial management.

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- (c) 'Both' under-capitalization and over-capitalization are harmful to the financial interest of a company.

4. Attempt any two parts of the following : $11 \times 2 = 22$

- (a) What are main sources of short-term and long-term finance available to industries? Discuss.
- (b) Explain briefly some of the techniques of inventory management, that may be used in a manufacturing concern.
- (c) What are the assumption which underlie Walter and Gordon's model of dividend policy? Does dividend policy affect the value of firm under Gordon's model? Discuss.
