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**BBA (Sem. - 4<sup>th</sup>)**  
**FINANCIAL MANAGEMENT**  
**SUBJECT CODE : BB - 402**  
**Paper ID : [C0219]**

[Note : Please fill subject code and paper ID on OMR]

**Time : 03 Hours**

**Maximum Marks : 60**

**Instruction to Candidates:**

- 1) Section - A is **Compulsory**.
- 2) Attempt any **Four** questions from Section - B.

**Section - A**

**Q1)**

**(10 × 2 = 20)**

- a) Explain profit maximisation.
- b) What is the difference between debt and equity?
- c) What is capital budgeting?
- d) What are financing decisions?
- e) Explain accounting rate of return.
- f) What is trading on equity?
- g) What is EBIT?
- h) How would you calculate cost of preference shares?
- i) What is profitability index of a project?
- j) What are the assumptions of NOI approach?

**Section - B**

**(4 × 10 = 40)**

- Q2)** Explain the scope of financial management? Discuss the traditional and modern approaches to financial management.
- Q3)** Evaluate the Discounted cash Flow techniques of evaluating investment decisions.
- Q4)** What are capital structure decisions? Discuss the factors which determine the capital structure of an organisation.
- Q5)** Critically evaluate the M-M approach to capital structure. In what way is it different from traditional approach?
- Q6)** What is weighted average cost of capital? How is it calculated?
- Q7)** (a) Differentiate between pay-back and post-payback period methods.
- (b) The director of capital budgeting of a company has asked you to analyse two proposed capital investment projects on the basis of pay-back and post-payback period methods. Each project has a cost of Rs.10,000.

The pattern of cash inflows is as follows:

Year	Project X(Rs)	Project Y(Rs)
1	6,500	3,500
2	3,000	3,500
3	3,000	3,500
4	1,000	3,500
5	1,000	3,500

Advise as to which project should be selected and why?

