

BBA 4th SEMESTER**May, 2014****BBA-4th : FINANCIAL MANAGEMENT***Time : 3 hours**Maximum Marks : 60***Note :** (1) *Section A is compulsory*(2) *Attempt any one question from each unit in section B***SECTION - A****2x10=20**

1. (a) Sources of long term financing
- (b) Investment decisions
- (c) Profit maximization
- (d) Net present value method
- (e) Profitability Index
- (f) Post payback period
- (g) M M approach
- (h) Sources of working capital
- (i) Traditional approach
- (j) Wealth maximization.

SECTION - B**UNIT - I**

2. Explain the sources of long term financing.

10**or**

3. What is financial management ? Explain the scope of financial management.

UNIT - II

4. Discuss the evaluation criteria of capital budgeting decision.

10**or**

5. A company proposing to expand its production or can go either for an automatic machine costing Rs. 224000 with estimate life of 5½ year of an ordinary machine costing Rs.6000 having an estimates life of 8years and costs are estimated as follows:

	Automatic machine	Ordinary machine
	Rs.	Rs.
Sales Cost	150000	150000
Material	50000	50000
Labour	12000	60000
Variable overload	24000	20000

Compute the comparative profitability under the pay back method.

UNIT - III

6. Define cost of capital explain the measurement of cost of debt. 10

or

7. A Company issues 5000 12% debentures of Rs. 100 each at a discount of 5% the commission payable to under writers and brokers is Rs. 25000. The debenture are redeemable after 5 years. Compute the after tax cost of debt assuming a tax rate of 50%

UNIT - IV

8. Discuss the various approaches of capital structure 10

or

9. X Ltd a widely held company is considering a major Expansion of its production facilities and the following alternatives are available.

	(Rs. in Lakhs)		
	A	B	C
Share capital	100	40	20
14% debentures	—	40	30
Loan 18% p.a	—	20	50

Expected rate of return before interest and tax is 25% the rate of dividend of the company is at least 20% The rate of corporate tax is 50%

Which of the alternatives would you choose?

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