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Total No. of Questions: 09

BBA (2012 & Onwards Batches) (Sem.-4)
Bachelor in Service Industry Management (SIM) (2014 Batch)

FINANCIAL MANAGEMENT

Subject Code: BBA-402 Paper ID: [A2372]

Time: 3 Hrs. Max. Marks: 60

INSTRUCTION TO CANDIDATES:

- SECTION-A is COMPULSORY consisting of TEN questions carrying TWO marks each.
- 2. SECTIONS-B consists of FOUR Sub-sections: Units-I, II, III & IV.
- 3. Each Sub-section contains TWO questions each, carrying TEN marks each.
- 4. Student has to attempt any ONE question from each Sub-section.

SECTION-A

1. Write briefly:

- a) Dividend Decisions
- b) Ploughing back of Profits
- c) Profitability Index
- d) Capital Rationing
- e) NPV vs. IRR
- f) Composite Cost
- g) Explicit Cost and Implicit Cost
- h) Differentiate between Financial Structure and Capital Structure.
- i) Optimum Capital Structure.
- j) Circulating Capital

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SECTION-B

UNIT-I

- Wealth maximisation is a better operational criterion for financial decisions making than profit maximisation. Discuss.
- What are the various sources of long term financing for raising funds? Explain.

UNIT-II

- 4 Discuss the planning of Capital Expenditure. Explain briefly the traditional and time adjusted methods of Capital Budgeting.
- ABC Ltd. is considering an investment proposal to install a new control machine. The project will cost Rs. 1, 50,000. Expected life is 5 years and no salvage value. The firm uses straight line depreciation. The estimated cash flows before tax (CFBT) from the proposal as follows.

YEAR	1	2	3	4	5
CFBT Rs.	30,000	37,500	37,500	45,000	75,000

You are required to compute the following:

- a) Payback period
- b) Average rate on Average Investment
- c) Post pay back Profitability Index
- d) NPV@10% cost of capital
- e) Profitability Index (Gross)

UNIT-III

- What do you mean by cost of capital? Explain its significance in financial decision making.
- A Company issues Rs. 1,00,000 10% debentures at a discount of 5%. The cost of floatation amount to Rs. 3,000. The debentures are redeemable after 5 years. Calculate the before tax and after tax cost of debt, assuming tax rate is 50%.

UNIT-IV

- 8 Explain the various theories of Capital structure along with suitable examples.
- 9 Which factors determine the size of working capital?

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