Roll No. $\square$
Total No. of Questions : 09
BBA (2013 to 2017)/B.SIM (2014 \& Onwards)/B.Sc. Business
Economics(BBE) (2015 to 2017) (Sem.-4)
FINANCIAL MANAGEMENT
Subject Code : BBA/BBE-402
Paper ID: [A2372]
Time : 3 Hrs.
Max. Marks : 60
INSTRUCTION TO CANDIDATES :

1. 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 short notes of the following :
a) Financing decisions
b) Retained earnings
c) Benefit-cost ratio
d) Limitations of Capital budgeting
e) NPV vs. Profitability Index
f) Specific cost and Composite cost
g) Opportunity cost
h) Differentiate between Capitalisation and Capital structure
i) Essentials of sound capital mix
j) Revolving capital

## SECTION-B

UNIT-I
2. Should the goal of financial decision making be wealth maximisation or profit maximization? Discuss.
3. Critically evaluates the utility of Equity shares and Debentures as a mean of obtaining long term funds.

## UNIT-II

4. What is Capital Budgeting? Discuss the various factors that influence the capital budgeting decisions.
5. Given below is the data on a capital project X

Annual cost saving- Rs. 60, 000
Useful life- 4 years
Internal rate of return-15\%
Profitability index- 1.064
Salvage value- Nil

| Discount factor | $\mathbf{1 5 \%}$ | $\mathbf{1 4 \%}$ | $\mathbf{1 3 \%}$ | $\mathbf{1 2 \%}$ |
| :---: | :---: | :---: | :---: | :---: |
| $\mathbf{1}$ year | 0.869 | 0.877 | 0.885 | 0.893 |
| $\mathbf{2}$ year | 0.756 | 0.769 | 0.783 | 0.797 |
| $\mathbf{3}$ year | 0.658 | 0.675 | 0.693 | 0.712 |
| $\mathbf{4}$ year | 0.572 | 0.592 | 0.613 | 0.636 |

You are required to calculate for their project
a) Initial cost of project
b) Payback period
c) Cost of capital
d) Net Present value

## UNIT-III

6. What is cost of capital? How it is computed?
7. Company issues Rs. $10,00,00010 \%$ debentures at a discount of $5 \%$. The debentures are redeemable after 5 years. Calculate before tax and after tax coat of debt, assuming the tax rate is $50 \%$. What would be the difference if above debentures are issued at a premium of $10 \%$.

## UNIT-IV

8. Give a critical appraisal to the traditional approach and the MM approach to the problems of capital structure.
9. Explain the concepts of working capital. What are the factors affecting working capital requirement?
