

Roll No.

BBA–502

Financial Management

(वित्तीय प्रबन्ध)

Bachelor of Business Administration

BBA–10/12/16/17

Fifth Semester, Examination, 2018

Time : 3 Hours

Max. Marks : 80

Note : This paper is of **eighty (80)** marks containing **three (03)** Sections A, B and C. Learners are required to attempt the questions contained in these Sections according to the detailed instructions given therein.

Section–A

(Long Answer Type Questions)

Note : Section ‘A’ contains four (04) long answer type questions of nineteen (19) marks each. Learners are required to answer *two* (02) questions only.

1. (a) Critically analyse the functions of finance manages in a large scale industrial establishment.

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- (b) “Maximisation of profits is regarded as the proper objective of investment decision, but it is not as exclusive as maximising shareholders’ wealth.”
Comment.

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2. Calculate the average rate of return for Projects A and B from the following : 19

	Project A	Project B
Investments	₹ 20,000	₹ 30,000
Expected Life (no salvage value)	4 years	5 years

Projected Net Income (after interest, depreciation and taxes) :

Years	Project A (₹)	Project B (₹)
1	2,000	3,000
2	1,500	3,000
3	1,500	2,000
4	1,000	1,000
5	—	1,000
	6,000	10,000

If the required rate of return is 12% which project should be undertaken ?

3. Define capital structure. Give a critical appraisal of the traditional approach and the Modigliani-Miller approach to the problem of capital structure. 5, 14
4. What is meant by financial leverage ? How does it magnify the revenue available for equity shareholders ? 6, 13

Section-B**(Short Answer Type Questions)**

Note : Section 'B' contains eight (08) short answer type questions of eight (08) marks each. Learners are required to answer *four* (04) questions only.

1. Define the term working capital and explain various factors influencing working capital.
2. Explain EBIT-EPS analysis.
3. Explain the rationale behind the use of weighted average cost of capital.
4. Distinguish between operating leverage and financial leverage.
5. Examine the advantages and disadvantages of raising funds by issuing shares of different types.
6. Discuss the various dimensions of receivable management.
7. Explain the various factors which influence the dividend decision of a firm.
8. "Capital budgeting is long-term planning for making and financing proposed capital outlays." Explain.

Section-C**(Objective Type Questions)**

Note : Section 'C' contains ten (10) objective type questions of one (01) mark each. All the questions of this Section are compulsory.

Indicate whether the following are True *or* False :

1. The main aim of finance function is to maximise the profits.

2. Increased use of debt increases the financial risk of equity shareholders.
3. The cost of capital is the minimum rate of return expected by its investors.
4. Equity share cannot be redeemed during the life time of a company.
5. Net working capital is the excess of current liabilities over current assets.

Fill in the blanks :

6. According to model, the dividend decision is irrelevant.
7. Net Present value of Inflows is calculated by deductive for the total
8. The rate of return on investments with the shortage of working capital.
9. Share having no face value are known as
10. Financial leverage is also known as