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Roll No. -----

BBA-502

Financial Management

Bachelor of Business Administration

(BBA-10/12/16/17)

5th Semester, Examination June 2022

Time: 2 Hours

Max. Marks: 80

Note : This paper is of Eighty (80) marks divided into two (02) Sections A and B. Attempt the questions contained in these sections according to the detailed instructions given therein.

Section – A

(Long Answer – type questions)

Note: Section 'A' contains Five (05) long-answer-type questions of Twenty (20) marks each. Learners are required to answer any two (02) questions only.

[2 x 20 = 40]

Q.1. Explain as to how the wealth maximization objective is superior to profit maximization objective.

P.T.O.

- Q.2. What are the advantages and disadvantages of debt financing for a company?
- Q.3. Explain briefly the concept of working capital and mention the important objectives of working capital management.
- Q.4. Bring out the relevance of capital structure by taking into account the NI approach and the traditional approach.
- Q.5. The Management of X Ltd. is considering the purchase of new plant. Two alternatives Plants A and B are available, each costing Rs. 10,00,000. The expected life of each Plant is 5 years. The cash flows are expected to be as follows:

Year	1	2	3	4	5
Plant A	2,60,000	1,00,000	5,50,000	3,00,000	2,00,000
Plant B	2,20,000	1,80,000	5,00,000	1,00,000	60,000

In respect of the above information calculate which Plant will be preferable using Net Present Value Method. While calculating the present values of cash flows, use a discount rate of 10%.

Year	1	2	3	4	5
Present value of Re 1 at the discount rate of 10%	.909	.826	.751	.683	.621

P.T.O.

Section – B

(Short-answer-type questions)

Note: Section 'B' contains Eight (08) short-answer-type questions of Ten (10) marks each. Learners are required to answer any Four (04) questions only. [4 x 10 = 40]

Briefly discuss any four (04) of the following:

1. Functions of Finance Manager.
2. Financial Leverage.
3. Nature of Factoring.
4. Walter's Dividend Model.
5. Objectives of Receivables Management.
6. 'Operating cycle' concept of working capital.
7. ABC company buys in lot of 125 boxes which is a three months supply. The cost per box is Rs. 125 and the ordering cost is Rs. 250 per order. The inventory carrying cost is estimated at 20% of unit value per annum.

You are required to ascertain;

- (i) What is the total annual cost of the existing inventory policy?

P.T.O.

(ii) How much money would be saved by employing the economic order quantity (EOQ)?

8. A Company is considering the following to raise additional capital for its expansion schemed;

Equity (% of Total Capital)	Debt (% of Total Capital)	Cost of equity %	Cost of debt (pre tax) %
75	25	16	12
50	50	18	14
25	75	24	18

Tax Rate is 30%. Which option would you recommend? Show workings.
