

Roll No.

BBA-402(N)

B. B. A. (Fourth Semester) EXAMINATION, May/June, 2015

(New Course)

Paper Second

FINANCIAL MANAGEMENT

Time : Three Hours]

[Maximum Marks : 70

Note : Attempt questions from all Sections as directed.

Section—A

3 each

(Short Answer Type Questions)

Note : Attempt all questions.

1. (A) Explain various finance functions.
- (B) What do you mean by wealth maximisation ?
- (C) What is a preference share ?
- (D) What is capital mix ?
- (E) What are the features of long-term investment decisions ?
- (F) What are the components of working capital ?
- (G) When IRR will be zero ?
- (H) What is ABC analysis ?
- (I) What do you mean by relevance and non-relevance in financial decision-making ?
- (J) What is dividend payout ratio ? Can dividend be distributed without profit ?

Section—B

10 each

(Long Answer Type Questions)

Note : Attempt any two questions.

- Explain the concept, reasons and techniques of time value of money. What is an annuity and what is perpetuity ?
- Discuss capital structure theories. How are Net income approach, Net operating income approach and Traditional approach different from each other ?
- Calculate net present value Cat a discount rate of 12% and Interest Rate of Return (IRR) of the following cash flows :

Period	CFAT (₹)
CO.	2,00,000
I year	60,000
II year	70,000
III year	80,000
IV year	50,000

- What do you mean by cost of capital ? How is weighted average cost of capital is calculated ? Why is cost of debt is cheaper than cost of equity ?

Section—C

10 each

(Long Answer Type Questions)

Note : Attempt any two questions.

- Explain the concept, basis, consequences and remedies of overcapitalisation and undercapitalisation.
- Discuss Walter and Gordon models for taking dividend decisions. What should be the objectives of a good dividend policy ?

- Using the information given below, prepare a cash budget showing expected cash receipts and disbursement for the month of January to March :

	Sales (₹)	Purchase (₹)	Wages (₹)
November	60,000	40,000	5,000
December	50,000	38,000	6,000
January	40,000	32,000	5,000
February	50,000	38,000	6,000
March	60,000	42,000	7,000

Budgeted cash at Bank, 1st Jan, is ₹ 9,000, 50% of sales are realised in same month and other 50% in next month of sales. Purchases are paid in following month of supply.

Also show the budgeted amount of facilities required in each month. Minimum cash balance is to maintained of ₹ 9,000.

- (a) Explain the following terms :
 - Reorder point
 - Safety stock
 - Ordering cost
 - Carrying cost
- (b) Calculate the economic order quantity from the following information. Also state the number of orders to be placed in a year :

Inventory requirement per year	10000 units
Cost of placing each order	₹ 25
Carrying cost per unit for one year	₹ 2