

Roll No. ....

## BBA-402(O)

**B. B. A. (Fourth Semester)  
EXAMINATION, May, 2013**

(Old Course)

Paper Second

**BUSINESS FINANCE**

*Time : Three Hours ]*

*[ Maximum Marks : 75*

**Note :** Attempt all questions. All questions carry equal marks.  
Calculation tables will be made available on requests.

1. Explain the subject matter of Business Finance by dividing them into financing, investment and dividend functions. What are the various sources of finance available to a corporate entity ?

*Or*

Bring out the meaning and importance of time value of money. What are the various techniques of compounding and discounting ?

2. What is capital structure and what is an optimum capital structure ? Explain NI, NOI and traditional approaches in this regard.

[ 2 ]

BBA-402(O)

Or

Describe nature, scope and importance of Capital Budgeting. What are the various techniques of evaluating a capital budgeting project ?

3. Right Ltd. issues 1,00,000 10% redeemable debentures of ₹ 100 each at ₹ 95, underwriting commission was paid @ 2% and brokerage @ 1% of face value. Other expenses are assumed to ₹ 50,000. The debentures are redeemable after 5 years. Tax rate is 30%. Calculate after tax cost of debt.

Or

A firm is considering a project, the details of which are :

Investment	₹
Cash Inflow (FAT)	70,000
Year 1	14,000
Year 2	15,000
Year 3	16,000
Year 4	25,000
Year 5	30,000

- (a) Calculate Net Present Value of the project at a discount rate of 10%.
- (b) Calculate IRR of the Project.

4. Explain meaning and importance of working capital. What are various approaches to finance the working capital needs of a business unit ?

Or

- (a) What do you mean by "Economic Order Quantity" ? What are various costs which affect economic order quantity ?

H-12

[ 3 ]

- (b) From the following information find out economic order quantity :

Annual usage, 10000 units

Cost of placing and receiving one order ₹ 50

Cost of materials per unit ₹ 25

Annual carrying cost of one unit : 10% of inventory value

5. Write notes on any two of the following :

(i) Over and undercapitalisation

(ii) Financial objectives

(iii) Cash management

(iv) Dividend models

BBA-402(O)

H-12