

Roll No.

BBA-402

**B. B. A. (Fourth Semester)
EXAMINATION, May, 2012**

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 profit and wealth maximisation concept. What are various finance functions ?

Or

Explain and illustrate the following :

- (i) Profitability Ratios
- (ii) Liquidity Ratios
- (iii) Turnover Ratios

2. Differentiate between Profit and Loss Account and fund flow statement. Give a pro forma of a fund flow statement.

Or

From the ahead information of MPM Pvt. Ltd. for the year ending on 31 March, 2012 prepare a Cash flow statement :

P. T. O.

	₹
Cash sales during the year	80,000
Credit sales	1,40,000
Closing balance of debtors	34,000
Credit purchases for the year	1,20,000
Closing creditors	40,000
Salaries due and paid	25,000
Depreciation	60,000
Goodwill written-off	20,000
Purchase of equipment (in cash)	50,000
Issue of equity capital	80,000
Cash at beginning	10,000
Dividend due (₹ 10,000 unpaid)	40,000

From the following information compute weighted average cost of capital :

Cost of Equity	20%
Cost of Debt (before tax)	25%
Cost of preference share	18%

Tax rate applicable is 40%.

The capital structure of the company is as follows :

	₹
Equity share capital	6,00,000
Preference share capital	1,00,000
Long-term debts	3,00,000

Or

Annual sales of CS company is ₹ 5,00,000. Its variable cost is ₹ 2,50,000 and fixed cost are ₹ 1,00,000. The total long-term borrowings of the company are ₹ 2,50,000 @ 12% p. a.

You are required to calculate Operating leverage, Financial leverage and Combined leverage.

4. Describe and differentiate between NI approach and NOI approach of capital structure. What is traditional approach in this regard ?

Or

The following data are available in respect of a raw material item in store :

Minimum Consumption	40 units per week
Maximum Consumption	120 units per week
Normal Consumption	80 units per week
Reorder quantity	480 units
Reorder period	6 weeks

You are required to find out :

- Reorder level
 - Minimum stock level
 - Maximum stock level
 - Average level
5. X Company Ltd is examining a project which yields the following returns over a time of 5 years :

Year	Gross yield (₹)
1	80,000
2	80,000
3	90,000
4	90,000
5	75,000

Cost of machine to be installed works out to be ₹ 2,00,000 and the machine is to be depreciated at 20% on SLM basis. Income Tax rate is 25%. If the average cost of raising capital is 12% would you recommend accepting the project under IRR method.

Or

One of the two machines 'A' and 'B' available in the market is to be purchased. The details are as below :

	Machine A (₹)	Machine B (₹)
Initial Outlays	3,00,000	4,50,000
Annual Cash flow :		
Year—1	1,50,000	2,20,000
Year—2	1,60,000	2,50,000
Year—3	1,70,000	2,60,000

The required rate of return on capital outlay is 12%. Which machine should be purchased ?