

BBA-13

December - Examination 2016

BBA Pt. III Examination**Financial Management****Paper - BBA-13****Time : 3 Hours]****[Max. Marks :- 80**

Note: The question paper is divided into three sections A, B and C. Write answers as per given instructions.

Section - A**8 × 2 = 16**

(Very Short Answer Type Questions)

Note: Answer **all** questions. As per the nature of the question you delimit your answer in one sentence or upto 30 words. Each question carries 2 marks.

- 1) (i) Give two limitations of Financial Management.
- (ii) What are Intangible Assets? Give three examples.
- (iii) What do you mean by Trend Analysis?
- (iv) Name four factors determining working capital.
- (v) What will be the Economic Order Quantity, if annual demand is 12000 units, ordering cost is Rs. 90 per order and inventory carrying cost is Rs. 15 per annum.
- (vi) Give any two differences between shares and debentures.

- (vii) State any two features of optimal capital structure.
 (viii) What is operating leverage? Give formula.

Section - B

4 × 8 = 32

(Short Answer Type Questions)

Note: Answer **any four** questions. Each answer should not exceed 200 words. Each question carries 8 marks.

- 2) From the following statement calculate:
 (i) Current Ratio (ii) Liquidity Ratio (iii) Proprietary Ratio
 (iv) Solvency Ratio

Condensed Balance Sheet

Liabilities	Rs.	Assets	Rs.
Paid up capital	100000	Fixed Assets	219810
Reserve and surplus	84500	Stock	49460
Debentures	100000	Trade Debtors	11710
Bills payable	6500	Cash at bank	26020
Creditors	16000		
	307000		307000

- 3) Define 'cost of capital'. Explain its significance in financial decision making.
- 4) Write short notes on following:
 (i) Common size statements
 (ii) Financial leverage
- 5) What is cash flow statement? Explain the classification of cash flows.
- 6) Explain the terms 'Dividend polity and critically examine the

essentials of a sound dividend policy.

- 7) Discuss the management problems involved in the planning and control of cash. Explain the importance of 'Cash Budget' as main tool of cash planning.
- 8) Explain the principle of 'Trading on Equity'. Discuss its utility to the management and point out its limitations.
- 9) Explain the following:
 - (i) Net working capital
 - (ii) ABC Analysis of inventory control
 - (iii) Stock Turnover Ratio
 - (iv) Internal Rate of Return

Section - C

$2 \times 16 = 32$

(Long Answer Type Questions)

Note: Answer **any two** questions. Each answer should not exceed 500 words. Each question carries 16 marks.

- 10) What is meant by financial management? Discuss the objectives and salient features of financial management.
- 11) Evaluate the preference shares and equity shares as a source of finance of a company.
- 12) What is capital budgeting? Discuss the relative merits of
 - (i) Pay-back
 - (ii) Net present value Techniquesfor the appraisal of investment work.

- 13) The Balance Sheet of Ram Ltd. as on December 31, 2013 and 2014 are as follows:

Items	Dec. 31, 2013	Dec. 31, 2014
Assets:		
Plant and machinery	500000	800000
Land and building	80000	120000
Stock	100000	75000
Sundry Debtors	150000	160000
Cash	20000	20000
	850000	1175000
Liabilities and Capitals:		
Share capital	500000	700000
Profit and Loss Account	100000	160000
General Reserve	50000	70000
Sundry Creditors	153000	190000
Bills payable	40000	50000
Outstanding Expenses	7000	5000
	850000	1175000

Additional Information:

- (i) Depreciation of Rs. 50000 has been charged on plant and machinery during the year 2014.
- (ii) A machine was sold for Rs. 8000 during the year 2014. It had cost of Rs. 12000 and depreciation of Rs. 7000 had been provided on it.

Prepare a statement of changes in working capital and funds flow statement for the year 2014.