

BBA-13

December - Examination 2017

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 Questions)

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

- 1) (i) Define Financial Management.
- (ii) Explain the comparative financial statement technique.
- (iii) What is quick ratio. Give formula.
- (iv) State four objectives of preparing funds flow statement.
- (v) What is Miller-orr model of cash management?
- (vi) What is Liberal Dividend Policy?
- (vii) What is meant by Trading on Equity?
- (viii) What do you understand by 'ABC Analysis of Inventory Control'.

Section - B**4 × 8 = 32**

(Short Answer Questions)

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

- 2) "Finance is the life-blood of Industry". Elucidate this statement with suitable illustrations.
- 3) The Balance Sheet of Paras Ltd. as at 31st March, 2013 and 2014 are given below:

Balance Sheet

As on 31st March

Liabilities	2013 Rs.	2014 Rs.	Assets	2013 Rs.	2014 Rs.
Share Capital	65,000	75,000	Fixed Assets	15,000	25,000
Reserve & Surplus	5,040	5,560	Cash	9,000	7,800
Debentures	12,000	–	Debtors	14,900	17,700
B/P	10,360	11,840	Stock	49,200	42,700
Provision for Bad Debts	700	800	Goodwill	5,000	–
	93,100	93,200		93,100	93200

Additional Information:-

- i) Dividend amounting to Rs. 3,500 were paid during the year.
- ii) Fixed Assets were purchased for Rs. 10,000. You are required to prepare cash flow statement.

- 4) Shyam Ltd. has issued 10%. 10,000 preference shares of Rs. 100 each and has incurred following expenses:–

Under writing commission	=	2%
Brokerage	=	1%
Other Expenses	=	Rs. 10,000

Assuming corporate tax rate at 50%, find out the cost of preference share capital if shares are issued

- (i) At par
- (ii) At a premium of 10%.
- 5) What is meant by 'Capital Structure'? Explain various theories of capital structure.
- 6) Write short notes on following:–
- i) Economic order quantity.
- ii) FSND classification of material control.
- 7) What is the concept of 'Working Capital'? What factors determine the need of working capital?
- 8) Examine the short term sources from which finance can be raised.
- 9) Explain the meaning of the term 'Dividend Policy and critically examine the essentials of a Sound Dividend Policy.

Section - C**2 × 16 = 32**

(Long Answer Questions)

Note: Answer **any two** questions. You have to delimit your each answer maximum upto 500 words. Each question carries 16 marks.

- 10) What do you understand by 'Financial Statement Analysis'? Explain various techniques of Financial Analysis.
- 11) Write explanatory notes on following:–
- i) Operating Leverage.
 - ii) Financial Leverage.
 - iii) Debt Equity Ratio.
 - iv) Debtors Turnover Ratio.
- 12) A Company has to select one of the following two projects:–

	Proposal – A Rs.	Proposal – B Rs.
Cost	11,000	10,000
Cash Inflows:		
Year – 1	6,000	1,000
Year – 2	2,000	1,000
Year – 3	1,000	2,000
Year – 4	5,000	10,000

Using the internal rate of return method, suggest which project is preferable.

Discount factor

Year	1	2	3	4
10%	.909	.826	.751	.683
12%	.893	.797	.712	.636
15%	.870	.756	.658	.572

- 13) Explain the role of "Managing Finance in a business and its utility".