

BBA-13

December - Examination 2018

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) Give two limitations of financial management.
- (ii) What are Liquid Assets?
- (iii) Give the ideal value and formula of quick ratio.
- (iv) What do you mean by cash inflows?
- (v) Give formula of Economic order quantity.
- (vi) What is qualitative concept of working capital?
- (vii) What is pay back period? How is pay back period calculated in case of even cash inflows.
- (viii) What is Lock-Box-System?

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) What is meant by 'Financial Management'? What are the salient features of Financial Management.
- 3) Examine the factors determining the Dividend Policy of a company.
- 4) Describe the external sources of short term finance available in India.
- 5) (i) Sanyam Limited has a current Ratio of 4:5:1 and a quick ratio of 3:1. If its inventory is Rs. 72,000. Find out its total current assets and current liabilities.
(ii) Rs. 1,00,000 is the net sales of a concern during 2016. If inventory turnover is 4 times. Calculate the inventory at the end of the year assuming that inventory at the end is 1.5 times of that in the beginning.
- 6) A project costs an initial investment of Rs. 40,000 and is expected to generate annual cash inflows of Rs. 16,000 for 4 years. Calculate internal rate of return.

Present value of Re. 1 at varying discount rates for a period of 4 years is as follows.

Years	19%	20%	22%
1	0.8403	0.8333	0.8196
2	0.7062	0.6944	0.6719
3	0.5934	0.5787	0.5507
4	0.4987	0.4823	0.4514
Total	2.6386	2.5887	2.4936

- 7) Write short notes on following:
- (i) Trend Analysis.
 - (ii) Comparative Statement Analysis.
- 8) What is a cash flow statement? How does it differ from funds flow statement also explain classification of cash flows in brief.
- 9) Critically examine the Traditional Approach and Modigliani - Millar approach of capital structure theory.

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) Write explanatory notes on following:
- (i) Operating Leverage.
 - (ii) Financial Leverage.
 - (iii) Types of working capital.
 - (iv) ABC analysis technique of inventory control.
- 11) Define cost of capital. How will you determine the cost of capital from different sources?
- 12) Evaluate the preference shares and equity shares as a source of finance of a company.

- 13) Pushpa Ltd. presents the balance sheets as at 31.12.2014 and 31.12.2015 as follows:

	31.12.2014	31.12.2015
Assets:		
Fixed Assets cost	31,30,000	36,05,000
Less : Depreciation	6,80,000	8,20,000
	24,50,000	27,85,000
Investments (long term)	12,50,000	13,50,000
Marketable securities (short term)	60,000	30,000
Inventories	4,10,000	5,20,000
Book Debts	5,30,000	50,5000
Cash at Bank	1,20,000	1,40,000
Preliminary Expenses	1,00,000	50,000
	49,20,000	53,80,000
Liabilities:		
Share Capital	20,00,000	25,00,000
Reserve and Surplus	4,20,000	4,70,000
Profit and Loss Account	3,80,000	4,00,000
13.5% Debentures (convertible)	10,00,000	8,00,000
Mortgage Loan	3,00,000	2,50,000
Current Liabilities	8,20,0000	9,60,000
	49,20,000	53,80,000

Additional Information:

- (i) Rs. 2,00,000 of debentures were converted into shares at par.
- (ii) A machine costing Rs. 50,000, book value Rs. 30,000 as at 31st Dec., 2014 was disposed off for. Rs. 20,000.

You are required to prepare a schedule of working capital and the funds flow statement of the company.