

**BBA-13**

December - Examination 2019

**BBA Pt. III Examination****Financial Management****Paper - BBA-13****Time : 3 Hours ]****[ Max. Marks :- 70**

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

**Section - A****7 × 2 = 14****(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 four characteristics of financial management.
- ii. What is Inventory Turnover Ratio? Give formula.
- iii. Give any two differences between cash flow statement and funds flow statement.
- iv. What is operating cycle period? Draw a chart of it.
- v. Explain the motives of holding cash.
- vi. What is pay-back period?
- vii. Give two assumptions of modigliani-miller (mm) approach.

**Section - B****4 × 7 = 28****(Short Answer Questions)**

**Note:** Answer **any four** questions. Each answer should not exceed 200 words. Each question carries 7 marks.

2. Define the term 'Financial statements'. Discuss the significance of financial statements for the various parties interested in a business concern.
3. "Ratio Analysis plays an important role in the process of decision making in business". Explain this statement and discuss any two ratios for measuring the liquidity of an enterprise.
4. What is a 'Cash Flow Statement'? Discuss its main uses and limitations.
5. Shri Ram enterprises manufactures a special product 'ZED'. The following particulars collected for the year 2017.
  - i. Monthly demand of 'ZED' = 1,000 (units).
  - ii. Cost of placing an order ₹ 100.
  - iii. Annual carrying cost per unit ₹ 15.
  - iv. Minimum usages 25 units per week.
  - v. Maximum usages 75 units per week.
  - vi. Normal usages 50 units per week.
  - vii. Re-order period 4 to 6 weeks.Compute :
  - a. Economic order quantity.
  - b. Re-order level.
  - c. Minimum stock level.
  - d. Maximum stock level.
6. Discuss the salient features of a stable dividend policy and point out its merits.

7. What is meant by the term 'Leverage'? What are its types? Explain in brief.
8. A project costs an initial investment of ₹ 40,000 and is expected to generate annual cash inflows of ₹ 16,000 for 4 years.  
Calculate internal rate of return.  
Present value of ₹ 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
<b>Total</b>	<b>2.6386</b>	<b>2.5887</b>	<b>2.4936</b>

9. Explain the following in brief:
- Point of indifference.
  - EBIT - EPS analysis.

### Section - C

2 × 14 = 28

#### (Long Answer Questions)

**Note:** Answer **any two** questions. You have to delimit your each answer maximum upto 500 words. Each question carries 14 marks.

10. Clearly explain the meaning and importance of funds flow statements. How is funds flow statement prepared? Explain with an example.
11. Write explanatory notes on following :
- Operating cycle of working capital
  - Types of working capital

12. The capital structure of Veer Limited is as under: Rs.

2,000, 6% debentures of ₹100 each (first issue)	2,00,000
1,000, 7% debentures of ₹100 each (second issue)	1,00,000
2,000, 8% cumulative preference shares of ₹ 100 each	2,00,000
4,000, Equity shares of ₹ 100 each	4,00,000
Retained earnings	1,00,000

The earnings per share of the company in the past many years has been ₹ 15. The shares of the company are sold in the market at book value. The company's tax rate is 50% and shareholders personal tax liability is 10%.

Find out the weighted average cost of capital.

13. Discuss the relative merits of the various types of securities available to a company for raising long term finance in India.

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