

year ending cash flows (after tax but before depreciation) of ₹ 6,000, ₹ 3,000, ₹ 2,000, ₹ 5,000 and ₹ 5,000 from the end of first year to the end of fifth year. The required rate of return is 10% and tax rate is 50%. The project has a life of five years and depreciated on straight line basis :

Year	1	2	3	4	5
Discount rate at 10%	0.909	0.826	0.751	0.683	0.620

11. What is the importance of Ratio Analysis to management ? Explain briefly any two ratios each for measuring (i) Profitability and (ii) Liquidity.
12. What is a cash flow statement ? How does it differ from the funds flow statement ? Give a specimen of cash flow statement using imaginary figures.
13. Critically examine the 'Traditional Approach' and 'Modigliani-Millar Approach' of capital structure theory.

BBA-13

June – Examination 2020

BBA (Part III) Examination

Financial Management

Paper : BBA-13

Time : 3 Hours]

[Maximum Marks : 70

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

Section-A

7×2=14

(Very Short Answer Type Questions)

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

1. (i) Give *three* limitations of financial management.
- (ii) What do you mean by Trend Analysis ?
- (iii) What is operating cycle period ? Draw a diagram of it.
- (iv) Name the types of cash flows.

- (v) What is economic order quantity ? Give formula.
- (vi) Explain the motives of holding cash.
- (vii) What is point of indifference ?

Section–B **4×7=28**

(Short Answer Type Questions)

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

2. What do you mean by common-size statements ? Discuss its utility for management.
3. Distinguish between the following :
 - (a) Funds flow statement and balance sheet
 - (b) Funds flow statement and income statement
4. What is operating cycle concept of working capital? How will you determine the amount of working capital under this method ?
5. Shree Limited issued 10000, ten years 8% debentures of ₹ 100 each at 4% discount. Under the terms of debenture trust, these debentures are to be redeemed after ten years at 5% premium. The cost of issue is 2%. Assuming corporate tax rate at 50%, calculate before and after tax cost of debt capital.

6. Define inventory control. Explain various stock levels for inventory control.
7. Discuss the salient features of stable dividend policy and point out its merits.
8. Write short notes on the following :
 - (a) Operating leverage
 - (b) Financial leverage
9. “Debentures occupy a very important place in corporate finance. Discuss this statement and point out the limitations of financing through debentures.

Section–C **2×14=28**

(Long Answer Type Questions)

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

10. Calculate the following :
 - (i) Pay-back period
 - (ii) Average rate of return and
 - (iii) Net present value for a project which requires an initial outlay of ₹ 10,000 and generates