

BBA-13

June – Examination 2024

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.

BBA-13/7 (1) TT-450 Turn Over

1. (i) Give any *two* limitations of Financial Management.
- (ii) What is common size Balance Sheet ?
- (iii) Distinguish between Gross working capital and Net working capital.
- (iv) What is Miller Orr Model of Cash Management ?
- (v) Give any *four* items of cash flow from financing activities.
- (vi) What is stable Dividend Policy ?
- (vii) What is meant by Optimum capital structure ?

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.

BBA-13/7 (2) TT-450

2. "Finance is the life-blood of industry." Elucidate this statement.

3. From the following information of Kalyan Ltd., prepare Balance Sheet :

(i) Current Ratio 2.5 : 1

(ii) Liquid Ratio 1.5 : 1

(iii) Proprietary Ratio 0.75 : 1

(Fixed Assets ÷ Proprietary Fund)

(iv) Working Capital ₹ 60,000

(v) Reserves and Surplus ₹ 40,000

(vi) Bank Overdraft ₹ 10,000

(vii) There is no long-term loan or fictitious assets.

4. What is 'Funds Flow Statement' ? Why is it prepared ?

5. A Ltd. has issued 2,000 equity shares of ₹ 100 each as fully paid. The company has earned a profit of ₹ 20,000 after tax. The market price of these shares is ₹ 160 per share. On these shares dividend has been paid at the rate of ₹ 8 per share. Find out the cost of equity capital using :

(i) Dividend yield method

(ii) Earnings yield method

6. Write short notes on :

(a) EBIT-EPS Analysis

(b) Indifference point

7. Evaluate the Preference shares and Equity shares as a source of finance of a company.

8. Give specimen of a cash flow statement and explain the items there in.

9. Nemi Ltd. uses annually 24,000 kgs. of a material which costs ₹ 1.25 per kg. Placing each order cost (ordering cost) ₹ 22.50 and the carrying cost is 15% per annum of the inventory cost. Find Economic Order Quantity and the total inventory cost (including the purchase cost of materials).

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. What is meant by 'Leverage' ? What are its types ?

Explain with suitable examples.

11. Machine A costs ₹ 1,00,000 payable immediately.

Machine B costs ₹ 1,20,000 half payable

immediately and half payable in one year's time.

The cash receipts expected are as follows :

Year (at end)	Machine A	Machine B	Discount factor at 7%
	₹		
1	20,000	—	.935
2	60,000	60,000	.873
3	40,000	60,000	.816
4	30,000	80,000	.763
5	20,000	—	.713

At 7% opportunity cost, which machine should be selected on the basis of Net Present Value Method.

12. Write explanatory notes on following :

- (a) Horizontal Analysis of financial statements
- (b) Return on capital employed
- (c) Trend Analysis
- (d) Average collection period

13. Define Financial Management. Discuss the scope and limitations of Financial Management.