

**BBA-13**  
June - 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) Which are the three classes of financial functions?
- (ii) Give the ideal value and formula of Quick Ratio.
- (iii) What are the objectives of working capital management?
- (iv) Explain the 'Lock-Box system'.
- (v) What is Walter's formula? Explain its effect on the share prices of a firm.
- (vi) Give difference between operating and financial leverage.
- (vii) What is meant by the term 'Fund'?

(viii) Calculate quick ratio from the following details:

Current Assets	Rs. 20,000
Stock	Rs. 3,000
Prepaid expenses	Rs. 1,000
Working capital	Rs. 16,800

### Section - B

4 × 8 = 32

(Short Answer Type Questions)

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

2) Write short notes on following:

- (i) Trend Analysis
- (ii) Operating leverage

3) To decide to buy an item, the following data are given:-

Annual demand	600 units
Ordering cost	Rs. 400
Cost per unit	Rs. 15
Inventory carrying cost	40%

Calculate:

- (i) Economic order quantity
- (ii) Discount of 10% is available for order of 500 units. Should the company take the advantage of the quantity discount?

4) Discuss the nature and scope of financial management.

5) What is cash flow statement? Explain the classification of cash flows.

- 6) Explain the following:
- (i) Current ratio
  - (ii) Inventory turnover ratio
  - (iii) Gross profit ratio
  - (iv) Debtors turnover ratio
- 7) Ram Ltd. Wishes to issue 1,000, 10% debentures of Rs 100 each for which the company will be required to incur the following expenses:
- (i) Underwriting commission 2%
  - (ii) Brokerage 0.5%
  - (iii) Other expenses Rs. 15,000
- Calculate cost of debt capital (before tax as well as after tax) assuming the debt is issued:
- (i) at par
  - (ii) at 10% premium
- 8) What is optimum capital structure? What factors should be borne in mind in deciding a capital structure?
- 9) What do you understand by 'working capital'? Explain the determinants of working capital.

### Section - C

2 × 16 = 32

(Long Answer type Questions)

**Note:** Answer **any two** questions. Each answer should not exceed 500 words. Each question carries 16 marks.

- 10) Write explanatory notes on following:
- (i) Comparative financial statements
  - (ii) Common size financial statements.

- 11) What is the distinction in short term and long term financial needs of a business. Examine the short term sources from which finance can be raised.
- 12) Differentiate between the 'Present value method' and Internal rate of return method' for evaluating capital expenditure proposals.
- 13) Following are the balance sheets of a limited company as on 31st March 2013 and 2014.

### Balance Sheet

Liabilities	2013 Rs.	2014 Rs.	Assets	2013 Rs.	2014 Rs.
Share Capital	54,000	74,000	Good will	3,000	2,520
Reserves	13,000	15,500	Building	50,950	48,000
Profit & Loss account	8,600	8,800	Plant	35,000	43,000
Bank loan (long term)	25,000	–	Stock	25,500	18,800
Creditors	28,000	24,000	Debtors	22,000	16,200
Bills Payable	8,000	8,500	Cash	150	180
			Bank	–	2,100
	<b>1,36,600</b>	<b>1,30,800</b>		<b>1,36,600</b>	<b>1,30,800</b>

Additional information:

- (i) Dividend paid was Rs. 6,000
- (ii) Rs. 3,600 was written off as depreciation on plant and Rs. 2950 on buildings.
- (iii) Profit on sale of plant was Rs. 3,000.

You are required to prepare funds flow statement and statement of changes in working capital.