

BBA-13
June - 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 four characteristics of Financial Management.
- (ii) What are intangible assets? Give two examples.
- (iii) Explain the motives for holding cash.
- (iv) Give difference between regular dividend and interim dividend.
- (v) Explain the policy of 'Trading on Equity'.
- (vi) If a company's current assets are Rs. 40,000, Stock Rs. 8,000 and working capital Rs. 33,600. Calculate Liquid Ratio.

(vii) What do you understand by 'ABC Analysis of inventory control.'

(viii) What is post pay-back profitability? Give formula.

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 do you mean by 'Analysis of financial statements'? Explain briefly the technique of preparing common size balance sheet. 3+5

- 3) What is the importance of Ratio Analysis to management? Explain briefly any two ratios each for measuring 2+3+3
 - (i) Profitability
 - (ii) Liquidity.

- 4) Shrinath Enterprises requires 4000 units of a certain item annually. The price per unit is Rs. 10. Ordering cost is estimated to be Rs. 60 per order. Inventory carrying cost is 30% of the value of inventory. Calculate 4+4
 - (i) The Economic order quantity.
 - (ii) If the supplier is offering a bulk discount of 1% on lots of 800 units, advise whether the EOQ should be raised to 800 units.

- 5) Write short notes on following:
 - (i) Public Deposits 4+4
 - (ii) Ploughing back of profits.

- 6) Define weighted average cost of capital. Discuss its merits and limitations. 2+3+3
- 7) Explain the following in brief: 4+4
- (i) Operating Leverage
- (ii) Financial Leverage
- 8) What is operating cycle concept of working capital? How will you determine the amount of working capital under this method. 3+5
- 9) Following are the balance sheets of a limited company as on 31st December 2014 and 2015.

Balance Sheet

Liabilities	2014 Rs.	2015 Rs.	Assets	2014 Rs.	2015 Rs.
Share Capital	54000	74000	Goodwill	3000	2520
Reserves	13000	15500	Buildings	50950	48000
P&L A/c.	8600	8800	Plant	35000	43000
Bank Loan (Long term)	25000	–	Stock	25500	18800
Creditors	28000	24000	Debtors	22000	16200
Bills Payable	8000	8500	Cash	150	180
			Bank	–	2100
	136600	130800		136600	130800

Taking into account the following additional informations, you are required to prepare funds flow statement and statement of changes in working capital:

- (a) Dividend paid was Rs. 6000. 5+3
- (b) Rs. 3600 was written off as depreciation on plant and Rs. 2950 as depreciation on building.

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) What is Financial Management? Discuss the objectives and salient features of financial management. 4+4+8

11) X Company Limited is considering two mutually exclusive projects. The following are the information for the same:

Initial Investment	Rs.	20000
Life time of the project		5 years.
Required Rate of Return		10%

The cash flows are as follows

Year	Project A	Project B
1	6000	7000
2	6000	6000
3	6000	4000
4	6000	7000
5	6000	7000

You are required to calculate :

8+8

- (i) The Net Present Value for each project.
- (ii) The Internal Rate of Return for each project.

Discount Factor

Year	10%	15%	16%	18%
1	.909	.870	.862	.847
2	.826	.756	.743	.718
3	.751	.658	.641	.609
4	.683	.572	.552	.516
5	.621	.497	.476	.431
Total	3.790	3.353	3.274	3.121

- 12) What is a cash flow statement? Give a specimen of cash flow statement using imaginary figures. 6+10
- 13) Write Explanatory notes on following sources of long term finance: 8+8
- (i) Preference Shares
 - (ii) Debentures
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