

**BBA-13**  
June - Examination 2019  
**BBA Pt. III Examination**  
**Financial Management**  
**Paper - BBA-13**

**Time : 3 Hours ]**

**[ Max. Marks :- 70**

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**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) Define financial management.
- (ii) Give the ideal value and formula of current ratio.
- (iii) State any two objectives of cash management.
- (iv) Write the names of any two theories of capital structure.
- (v) What is meant by public deposits?
- (vi) Name four factors determining working capital.
- (vii) Give two differences between operating leverage and financial leverages.

**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) Explain the objectives and scope of financial management.
- 3) Explain the meaning of funds flow statement. Prepare a format of funds flow statement with imaginary figures (five each at sources and application side).
- 4) Define Inventory control. Explain clearly EOQ and ABC analysis techniques of inventory control.
- 5) Ram limited is deciding to issue Rs. 30 lacs, 11% debentures of Rs. 1000 each redeemable after 12 years. The debentures will have to be sold at 4% discount. Further, an underwriting commission of 2% of the face value will be paid by the company. Assume a 50% tax-rate.
  - (i) Calculate the after tax cost of the issue.
  - (ii) What would be the after tax cost (other things remaining same), if the debentures were sold at a premium of Rs. 50.
- 6) What is meant by 'Dividend Policy'? Explain critically the Walter's formula of dividend policy.
- 7) Write short notes on following:
  - (i) Commercial papers.
  - (ii) Trade Credit.
- 8) Explain the principle of 'Trading on Equity'. Discuss its utility to the management and point out its limitations.

9) The ratios relating to Ajit Limited are given below:

Gross profit ratio	15%
Stock Velocity	6 months
Debtors Velocity (Average collection period)	3 months
Creditors Velocity (Average payment period)	3 months

Gross profit for the year ending March 31, 2017 amounted to Rs. 60,000. Closing stock is equal to opening stock.

Find out :

- (a) Sales
- (b) Closing Stock
- (c) Sundry Debtors
- (d) Sundry Creditors

### 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) Write explanatory notes on following :- (Any two)

- (a) Comparative Statements.
- (b) Common size statements.
- (c) Trend Analysis.

- 11) What is a cash flow statement? Give a specimen of cash flow statement using imaginary figures.
- 12) Discuss the relative merits of –
- (a) Pay back period method and
  - (b) Internal rate of return technique for the appraisal of investment worth.
- 13) The capital structure of Rishabh Limited consists of an equity share capital of Rs. 3,00,000 (Shares of Rs. 10 per value) and Rs. 3,00,000, 10% debentures. Sales increased by 20% from 30,000 to 36,000 units. The selling price is Rs. 10 per unit. Variable cost is Rs. 6 per unit and fixed cost amount to Rs. 50,000. The Company's tax rate is 50%.

You are required to compute:

- (a) The degree of operating leverage.
  - (b) The degree of financial leverage and
  - (c) The degree of combined leverage.
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