

BBA-13

June – Examination 2022

BBA (Part III) Examination

Financial Management

Paper : BBA-13

Time : 1½ Hours] [Maximum Marks : 70

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

Section-A **4×3½=14**

(Very Short Answer Type Questions)

Note :- Answer any *four* 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 3½ marks.

BBA-13/7

(1)

T-450 Turn Over

1. (i) Define the term 'Financial Statements'. What are the objectives of financial statements ?
- (ii) Explain briefly any *two* ratios each for measuring :
 - (a) Profitability
 - (b) Liquidity
- (iii) Hari Ltd. had the following balances :

Investment at the end of 2018	₹ 34,000
Investment at the end of 2019	₹ 28,000

During the year the company had sold 40% of its original investment at a profit of ₹ 8,400.

Calculate sources and uses of cash.
- (iv) What is operating cycle concept of working capital ? Explain with example.
- (v) What is meant by the term 'Leverage' ? Distinguish between operating and financial leverage.

BBA-13/7

(2)

T-450

- (vi) Write short notes on the following :
- Indifference point
 - EBIT-EPS analysis
- (vii) Discuss the advantages of raising funds through debt as compared to issues of shares.
- (viii) From the following information, find out the economic order quantity and the number of orders to be placed in the year :

Annual consumption	120 units
Ordering cost	₹ 20 per order
Price per unit	₹ 100

The annual carrying cost are 12%.

Section-B **4×14=56**

(Short Answer Type Questions)

Note :- Answer any *four* questions. Each answer should not exceed **200** words. Each question carries 14 marks.

2. Write explanatory notes on the following (any *two*) :
- Comparative statements
 - Common size statements
 - Trend analysis
3. What is funds flow statement ? Why is it prepared ? Briefly explain the method of preparing this statement.
4. What is meant by Dividend Policy ? Examine the various factors determining the sound dividend policy of a business enterprise.
5. Calculate weighted average cost of capital from the following information :

	₹
4,000 equity shares (fully paid up)	4,00,000
3,000, 6% debentures	3,00,000
2,000, 6% preference shares	2,00,000
Retained earnings	1,00,000

Earnings per equity share has been ₹ 10 during the past year and equity shares are being sold in the market at par. Assume corporate tax at 50% and shareholders personal tax liability 10%.

6. From the following information, calculate the net present value of the two projects and suggest which of the projects should be accepted assuming a discount rate of 10% :

	Project X	Project Y
Initial investment	₹ 20,000	₹ 30,000
Estimated life	5 years	5 years
Scrap value	₹ 1,000	₹ 2,000

The profits before depreciation and after taxes (cash flows) are as follows :

Years	Project X (₹)	Project Y (₹)
1	5,000	20,000
2	10,000	10,000
3	10,000	5,000
4	3,000	3,000
5	2,000	2,000

The present value factors at 10% per annum are as follows :

Years	PV factor
1	0.909
2	0.826
3	0.751
4	0.683
5	0.621

7. Explain the following theories of capital structure :
- M-M theory
 - Net operating income theory

8. Describe the long-term sources of funds available in India.
9. Write short notes on the following :
 - (a) Baumol model of cash management
 - (b) Debtors turnover ratio
 - (c) Reorder level
 - (d) Difference between funds flow statement and balance sheet