



GS-542

IV Semester B.B.M. Examination, May/June - 2019

(2013-14 & Onwards) (Repeaters)

MANAGEMENT

4.4 : Financial Management

Time : 3 Hours

Max. Marks : 100

Instructions to Candidates : Answer only in English.

SECTION - A

I. Answer **any eight** sub-questions of the following. Each question carries **two** marks. **8x2=16**

1. (a) What is profit Maximization ?
(b) What is Operating Cycle ?
(c) What is Future Value ?
(d) What is trading on equity ?
(e) What is Profitability Index ?
(f) What is Time value of Money ?
(g) What is Capital Budgeting ?
(h) What is Internal Rate of Return ?
(i) What is Capital Structure ?
(j) What is Cash Budget ?

SECTION - B

II. Answer **any three** questions. Each question carries **eight** marks. **3x8=24**

2. What are the Functions of Financial management ?
3. ACB Ltd. invested ₹ 1,00,000 on some project, the project, generates profits before depreciation and tax of ₹ 70,000 p.a. for a period of 5 years. The scrap value of the project at the end of 5th year is zero. Determine average rate of return for the project assuming 50% tax and straight line method of providing depreciation.
4. PCS Ltd. has an average selling price of ₹ 20 per unit. Its variable costs are ₹ 14 and fixed costs ₹ 6,80,000. All its capital are financed by equity funds. It pay 50% tax on its income. KCS Ltd. is identical to PCS Ltd. but its capital is financed by equity and other half by debt, the interest on which amounts ₹ 80,000. Determine the operating, financial and combined leverage at ₹ 28,00,000 sales for both the firm.

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5. Calculate EPS from the following details of Vikas and company.
Sales ₹ 4,00,000, sales returns ₹ 10,000 cost of goods sold ₹ 3,00,000,
Administration and selling expenses ₹ 20,000, interest on loans ₹ 5,000,
income tax ₹ 10,000, Preference dividend ₹ 15,000, Equity capital
₹ 1,00,000 at ₹ 10 per share.

SECTION - C

III. Answer **Question no. 10** and **any three** of the remaining questions. Each question carries **15 marks**. 4x15=60

6. What is the financial planning? Explain the Factors affecting the financial planning.
7. What are the problems associated with Excess Working capital and inadequate Working capital.
8. Explain the factors which determine the Dividend policy of a firm.
9. A company is considering an investment proposal to install a new machine. The project will cost ₹ 50,000 and will have a life of 5 years and no salvage value. The company's tax rate is 30% and no investment allowance is allowed. The firm uses straight line method of depreciation. The estimated net income before depreciation and tax are as follows :

Year	Net Income before depreciation and Tax
	₹
1	10,000
2	11,000
3	14,000
4	15,000
5	25,000

Compute the following :

- | | |
|----------------------------|------------------------------|
| (1) Pay-back period | (2) Average Rate of Return |
| (3) NPV @10% discount rate | (4) Profitability Index @10% |
10. Swayam Company Ltd. has currently an ordinary share capital of ₹ 25,00,000 consisting of 25,000 shares of ₹ 100 each. The management is planning to raise another ₹ 20,00,000 to finance a major programme of expansion through one of three possible financing plans. The options are as under :
- (a) Entirely through ordinary shares.
- (b) 50% through ordinary shares and another 50% through long term borrowing @ 15% interest p.a.
- (c) 50% through ordinary shares and another 50% through preference shares with 14% dividend.
- The company's expected EBIT is ₹ 8,00,000. Assuming a tax rate of 30% Determine EPS in each alternative and choose the best option for financing.

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