

B.B.A. 2015 Sem-III.

32213

LINA – III (2015 COURSE) (C.B.C.S) : WINTER – 2016
SUBJECT: BASICS OF FINANCIAL MANAGEMENT

Day : Saturday
Date : 12-11-2016

Time : 2:00 P.M. TO 5:00 P.M.
Max. Marks: 100

N.B.

- 1) Attempt any **FOUR** questions from Section – I and any **TWO** questions from Section – II.
- 2) Answers to both the sections should be written in **SEPRATE** answer books.
- 3) Figures to the right indicate **FULL** marks.
- 4) Use of calculator is allowed.

SECTION – I

- Q.1 What is Financial Management? Discuss Profit Maximization v/s Wealth Maximization in the light of arguments in favour of and against these objectives. (15)
- Q.2 Explain the following sources of raising long term finance and evaluate them with respect to Risk and Cost to the organization. (15)
i) Equity shares ii) Debentures iii) Borrowings from Banks.
- Q.3 Describe the concept 'Dividend Policy'. Explain the various factors affecting Dividend Decision. (15)
- Q.4 Explain the term Leverage and state in detail the meaning and importance of Operating Leverage, Financial Leverage and Combined Leverage. (15)
- Q.5 Write short notes on **ANY THREE** of the following: (15)
a) Types of Cost of Capital
b) Sources of financing working capital
c) Bonus shares
d) Time value of money

SECTION – II

- Q.6 Akash Ltd. Considering to invest in a project that is expected to cost Rs. 15,00,000 . The expected cash inflows. (20)

Year	Cash Inflows in Rs.	Cash Inflows in Rs.
	Project A	Project B
1	1,00,000	6,50,000
2	2,50,000	6,00,000
3	3,50,000	5,00,000
4	5,50,000	2,75,000
5	7,50,000	2,25,000
Total	20,00,000	22,50,000

Calculate : i) Simple Pay Back Period ii) NPV if cost of capital is 10%.
iii) PI if cost of capital is 10%

Discounting Factors:-

Year	1	2	3	4	5
Discounting Factors @ 12%	0.909	0.826	0.751	0.683	0.621

Q.7

From the following information you are required to calculate the estimated amount of working capital : (20)

	Cost Per Unit (Rs.)
Material	20
Labour	10
Direct Expenses	08
Total Cost	38
Profit	12
Sales	50

Other information:

- 1) Total units to be produced in the next year are 24,000.
- 2) Debtors are allowed 6 weeks credit.
- 3) Creditors are allowing 4 weeks credit.
- 4) WIP remains in stock for one month which may be valued at 60% of Labour cost and Direct Expenses.
- 5) Finished goods will remain in stock for $\frac{1}{2}$ a month.
- 6) Raw materials will stay in stock for one month.
- 7) Wages are paid with a lag of one month.
- 8) Contingent reserve is 20% of your computation.

Q.8

The Alpha Ltd. has the following capital structure.

(20)

Equity share capital (20,000 shares)	4,00,000
6% Preference Shares	1,00,000
8% Debentures	3,00,000

- The market price of equity shares is Rs. 20/-. It is expected that the company will pay a current dividend of Rs. 2/- per share which will grow @ 7%.
- Rate of tax is 40%
- Preference shares were issued at 10% premium, which are to be redeemed after 10 years.

Calculate Weighted Average Cost of Capital.

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