

**B.B.A. LL.B. (5 YEAR DEGREE COURSE) SEM-VI (2015
COURSE) : SUMMER - 2018
SUBJECT : FINANCIAL MANAGEMENT**

Day : **Wednesday**
Date : **25/04/2018**

S-2018-1209

Time : **02.30 PM TO 05.30 PM**
Max. Marks : 60

N.B.:

- 1) All questions are **COMPULSORY**.
- 2) All questions carry **EQUAL** marks.
- 3) Use simple **CALCULATOR**.

Q.1 Explain the various sources of long term finance. Also state their merits and demerits.

OR

State the meaning of Dividend under Companies Act. Explain the factors affecting Dividend Decisions of a company.

Q.2 Write short notes:

- a) Valuation of Preference Shares
- b) Time Value of Money

OR

a) Solve:

A company operates at a production level of 5,000 units. The Contribution is Rs 60/unit, Operating Leverage is 6 and Combined Leverage is 24. If the tax rate is 30%, what would be its Earnings After Tax?

b) Solve:

Calculate if Rs 50,000 is invested at interest rate of 12% p.a. what is the amount after 3 years if the compounding is done

- (i) Annually
- (ii) Semi – Annually
- (iii) Quarterly

Q.3 A company has to make a choice between two projects namely A & B. The initial capital investment of the two projects is Rs 1,35,000 and Rs 2,40,000 respectively for Project A & Project B. There will be no scrap value at the end of the life of both the projects. The cost of capital of the company is 16%. The annual incomes are as under:

Year	Project A	Project B
1	-	60,000
2	30,000	84,000
3	1,32,000	96,000
4	84,000	1,02,000
5	84,000	90,000

Calculate for each project:

- (i) Net Present Value
- (ii) Profitability Index

OR

Distinguish between Funds Flow Statement and Cash Flow Statement

P.T.O.

- Q.4** From the following Balance Sheets of X Ltd on 31 March 2015 and 31 March 2016, you are required to prepare
- Schedule of changes in working capital
 - Funds Flow Statement as on 31 March 2016

Balance Sheet of X Ltd.

Liabilities	2015	2016	Assets	2015	2016
Share Capital	1,00,000	1,00,000	Goodwill	12,000	12,000
General Reserve	14,000	18,000	Building	40,000	36,000
Profit and Loss Account	16,000	13,000	Plant	37,000	36,000
Sundry Creditors	8,000	5,400	Investments	10,000	11,000
Bills Payable	1,200	800	Stocks	30,000	23,400
Provision for Taxation	16,000	18,000	Bills Receivable	2,000	3,200
Provision for Doubtful Debts	400	600	Debtors	18,000	19,000
			Cash at Bank	6,600	15,200
	1,55,600	1,55,800		1,55,600	1,55,800

The following additional information has also been given:

- Depreciation charged on Plant was Rs 4,000 and on Building Rs 4,000
- Provision for Taxation of Rs 19,000 was made during the current year.
- Interim Dividend of Rs 8,000 was paid during the year 2016.

OR

Explain the functions of a CFO in a globalized environment.

- Q.5** a) State the need for Valuation of Shares
 b) Explain Cost of Capital. Explain the relationship between Cost of Capital and Capital Structure.

OR

Balance Sheets of AB Ltd on 1 April 2015 and 31 March 2016 were as follows

Balance Sheet

Liabilities	1/4/2015	31/3/2016	Assets	1/4/2015	31/3/2016
Share Capital	1,25,000	1,53,000	Cash	10,000	7,000
Creditors	40,000	44,000	Debtors	30,000	50,000
Mrs. A Loan	25,000	-	Stock	35,000	25,000
Loan from Bank	40,000	50,000	Machinery	80,000	55,000
			Land	40,000	50,000
			Building	35,000	60,000
	2,30,000	2,47,000		2,30,000	2,47,000

During the year a Machine costing Rs 10,000 (accumulated depreciation Rs 3,000) was sold for Rs 5,000. The total depreciation on Machine was Rs 18,000. Net Profit for the year was Rs 45,000. You are required to prepare Cash Flow Statement using Indirect Method.

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