

B.B.A. (2010 COURSE) SEM- III : SUMMER - 2018
SUBJECT: BASICS OF FINANCIAL MANAGEMENT

Day: Thursday
Date: 03/05/2018

Time: 02.00 PM TO 05.00 PM
Max. Marks: 70

S-2018-1654

N.B:

- 1) Question No. 1 is **COMPULSORY**.
- 2) Attempt **ANY FOUR** questions from question No.2 to Question No.7
- 3) Each question carry **14** marks.
- 4) Use of **SIMPLE CALCULATOR** is allowed.

- Q.1 a)** Write a detailed note on Profit v/s Wealth Maximization. (07)
- b)** Explain the role of Finance Manager in globalized environment. (07)
- Q.2** Explain the features of Equity and Preference shares in detail. (14)
- Q.3** Elaborate the various sources of working capital. (14)
- Q.4** Write a short notes on (**ANY TWO**): (14)
- a) Bonus Shares
 - b) Types of Leverages
 - c) Time Value of Money
- Q.5** A firm whose cost of capital is 10% is considering a proposal X, details of which are as follows. (14)

Particulars	Proposal X
Initial Investments	15,00,000
Projected Cash Inflows	
1 st Year	1,00,000
2 nd Year	2,50,000
3 rd Year	3,50,000
4 th Year	5,50,000
5 th Year	7,50,000
Total	20,00,000

The present value factors at the end of each year are as follows:

- At the end of first year – 0.909,
At the end of second year – 0.826
At the end of third year – 0.751
At the end of fourth year – 0.683
At the end of fifth year – 0.621

Calculate:

- i) Pay Back Period
- ii) Net Present Value @10% rate of discount
- iii) Profitability Index
- iv) Internal Rate of Return

P.T.O.

- Q.6** ABC cements Ltd. sells its products on a gross profit of 20% on sales. The following information is extracted from its annual accounts for the current year ended on 31st March 2015: **(14)**

Sales at 3 months credit	40,00,000
Raw materials	12,00,000
Wages paid-average time lag 15 days	9,60,000
Manufacturing expenses paid-one month in arrears	12,00,000
Administrative expenses paid-one month in arrears	4,80,000
Sales promotion expenses payable half year in advance	2,00,000

The company enjoys credit of one month from the suppliers of raw materials. The company maintains 2 month's stock of raw materials and one and half month's stock of finished goods. The cash balance is maintained at Rs. 1,00,000 as a precautionary measure. You are required to estimate the working capital requirements of the company.

- Q.7** From the following particulars, calculate the Operating, Financial and Combined Leverages. **(14)**

BALANCE SHEET OF ZENITH LTD. AS ON 31ST MARCH, 2017.

Liabilities	Rs.	Assets	Rs.
Equity share capital (Rs. 10 each)	12,00,000	Fixed Assets (Net)	21,00,000
15% Debentures	8,00,000	Current Assets	19,00,000
General Reserve	7,00,000		
Current Liabilities	13,00,000		
Total	40,00,000	Total	40,00,000

Additional Information:

1. The earnings before interest and tax (EBIT) is 20% on sales for the year ended 31st March, 2017.
2. The profit volume ratio is 40%.
3. The total asset turnover (Sales/Total asset) for the year is 2.

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