

B.B.A. LL.B. (5 Year Degree Course) SEM-VI (2015 Course) :
WINTER - 2018

SUBJECT : FINANCIAL MANAGEMENT

Day : Tuesday
Date : 30/10/2018

W-2018-1338

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 The Alpha Co. Ltd is considering the purchase of a new machine. Two alternatives Machine A and Machine B have been suggested each costing Rs 4,00,000. Earnings after Taxation but before depreciation are expected to be as follows:

Year	Machine A	Machine B
	Rs.	Rs.
1	40,000	1,20,000
2	1,20,000	1,60,000
3	1,60,000	2,00,000
4	2,40,000	1,20,000
5	1,60,000	80,000

You are required to comment on which Machine should be selected using Payback Period Method.

OR

- Q.1.** a) What is meant by Leverage? Explain Financial Leverage.
b) State and Explain in brief the definition of Dividend as per Income Tax Act

Q.2 Explain the relationship between dividend and market value of shares.

OR

Calculate the Operating Leverage, Financial Leverage and Combined Leverage from the following data under Situation I and Situation II.

Installed Capacity	4,000 units
Actual Production	75% of the capacity
Selling Price	Rs 30/unit
Variable Cost	Rs 15/unit
<u>Fixed Cost:</u>	
Situation I	Rs 15,000
Situation II	Rs 20,000
Debt (Rate of Interest @ 20% p.a.)	Rs 10,000

Q.3 What is meant by Fund? Explain the concept of Fund Flow Statement. State the benefits of Funds Flow Statement.

OR

Rounak Ltd is thinking of purchasing a Lathe Machine costing Rs 200 crore. It has estimated that after a life of 10 years the salvage value of the machine will be Rs 20 crores. Rounak Ltd expects a profit before tax of Rs 30 crores every year for the entire life of the machine. It pays tax of 35% and charges depreciation on straight line method. Find out whether Rounak Ltd should buy the Lathe Machine if the cost of capital is 10% using NPV Method.

P.T.O.

Q.4

ABC Ltd has supplied the following information at the beginning and at the end of the year 2015-16

	1 April 2015	31 March 2016
	Rs.	Rs.
Plant less depreciation	95,000	2,13,000
Investment (long term)	1,98,000	4,35,000
Debentures	3,75,000	1,05,000
Equity Share Capital	6,00,000	6,00,000
Reserves and Surplus	3,57,000	6,15,000

Although ABC Ltd could not provide complete Balance Sheet and Profit and Loss Account, it supplied the following further information:

- (i) An Interim Dividend of Rs 54,000 has been paid during the year 2015-16
- (ii) The net income includes Rs 20,000 on account of profit on sale of plant. There has been an increase of Rs 1,40,000 in the gross value of plant. Also a plant of gross value Rs 43,500 whose written down value was Rs 28,500 was disposed off during the year.

From the above information you are required to prepare a Funds Flow Statement.

OR

Explain the functions of a Financial Manager in the Globalized Environment.

Q.5

Write short notes on:

- a) Cost of Capital and Capital Structure
- b) Internal Rate of Return

OR

From the following summary of Cash account of X Ltd, prepare Cash Flow Statement for the year ended 31 March 2016 using Direct Method.

Summary of Cash Account

Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Balance b/d	10,000	By Rent	1,400
To Sales	2,600	By Purchases	800
To Furniture sold	1,400	By Wages	2,300
To Commission Received	1,100	By Taxation	1,700
To Loan from Dena Bank	5,000	By Dividend	800
To Receipt from Customers	600	By Repayment of Loan	4,000
To Interest on Investments	100	By Payment to Suppliers	800
		By Balance c/d	9,000
	20,800		20,800

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