

B.B.A. (2010 COURSE) SEM- III : WINTER - 2017

SUBJECT: BASICS OF FINANCIAL MANAGEMENT

Day: Wednesday

Date: 15/11/2017

Time: 02.00 PM TO 05.00 PM

Max. Marks: 70

W-2017-1562

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 various sources of long term finance available to a large scale company. **(14)**

Q.3 Elaborate the various factors to be considered while framing capital structure. **(14)**

Q.4 Write a short notes on **(ANY TWO)**: **(14)**

- a) Debentures
- b) Operating Cycle
- c) Scope of Financial Management

Q.5 ABC Ltd. is considering investment in a project that is expected to cost Rs. 12, 00,000 and has an effective life of 5 years. The project cash inflows for this period are as follows : **(14)**

Year	Amount (Rs.)
1	3,00,000
2	3,00,000
3	4,50,000
4	4,50,000
5	7,50,000
Total	22,50,000

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) Discounted Pay Back Period at 10% rate of discount

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 on an average a stock of raw materials for 2 months 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 working capital requirements of the company.

- Q.7** Calculate the Operating Leverage, Financial Leverage And Combined Leverage from the following details: **(14)**

Selling price per unit = Rs. 150
 Variable cost per unit = Rs. 100
 Fixed costs = Rs. 6,00,000
 Production and sales = 20,000 units

The capital structure of the company under alternate financing plan is as follows:

Particulars	Plan I Rs.	Plan II Rs.
Equity Capital	20,00,000	10,00,000
16% Debentures	10,00,000	20,00,000
Total	30,00,000	30,00,000

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