

B.B.A. LL.B. (FIVE YEAR DEGREE COURSE) (CBCS - 2015 COURSE)

B.B.A. LL. B. Sem - VI :WINTER - 2021

SUBJECT: FINANCIAL MANAGEMENT

Day : Friday
Date : 24-12-2021

W-12551-2021

Time: 02:00 PM-04:30 PM

Max. Marks: 60

N.B.:

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

- Q.1** Write short notes on: (12)
- a) Time value of money
 - b) Operating Leverage

OR

- Q.1** The comparative Balance Sheets of Beta Trading Company for the years 2017 & 2018 are given below. Prepare a Fund Flow Statement for the year 2018. (12)

Balance Sheet of Swara Ltd

Liabilities	2017(Rs.)	2018(Rs.)	Assets	2017(Rs.)	2018(Rs.)
Share Capital	3,60,000	4,00,000	Fixed Assets	4,80,000	5,20,000
General Reserve	1,10,000	60,000	(-) Depreciation	1,08,000	1,40,000
Profit & Loss A/C	20,450	33,450		3,72,000	3,80,000
Sundry Creditors	1,33,650	1,95,350	Investment	1,00,000	50,000
Proposed Dividend	28,800	15,000	Debtors	1,18,300	1,67,800
Prov. for Taxation	50,000	32,000	Stock	55,600	90,500
			Bank	49,800	47,500
			Preliminary Expenses	7,200	-
	7,02,900	7,35,800		7,02,900	7,35,800

Additional information:

- 1) The Net profit for the year (after providing depreciation Rs. 40,000, writing off preliminary expenses Rs. 7,200 and making tax provision Rs. 32,000) amounted to Rs. 38,000.
- 2) During the year old machinery (accumulated depreciation Rs. 8,000) costing Rs. 9,000 was sold for Rs. 3,000.
- 3) A portion of the investment was considered worthless and was written off to the General Reserve. The cost of such investment was Rs. 50,000
- 4) During the year company paid Interim Dividend of Rs. 10,000 and Directors have proposed a Final Dividend of Rs. 15,000 for the year 2018

- Q.2** Explain the relationship between Dividend and Market Value of Share. (12)

OR

- Q.2** Mr. Y invests Rs. 60,000 for 5 years at an interest rate of 12.5% p.a. compounded (12)
- i) Annually ii) Semi-Annually iii) Quarterly iv) Monthly
- Compute the Amount received as well as the Interest earned for each of the above options at the end of 2 years.

P.T.O.

Q.3 Explain the different sources of long term finance along with the merits and demerits. (12)

OR

Q.3 The Capital structure of Progressive Corporation consists of Ordinary Shares Capital of Rs. 10, 00,000(of Rs.100 each) and Rs. 10, 00,000 of 10% Debentures. The selling price is Rs. 10/unit, variable cost is Rs.6/unit and fixed expenses is Rs. 2 per unit at normal capacity of 1,00,000 units. The income tax rate is assumed to be 30%. The sales level is expected to increase from normal capacity of 1, 00,000 units to 1,20,000 units. Compute the Leverages for both the options. (12)

Q.4 Explain the concept of Valuation of shares. State the need for Valuation of shares. (12)

OR

Q.4 The following are Cash/Bank transactions of M/S Arora & Co. You are required to prepare the Cash Flow Statement for the year ended 31 March 2018. (12)

- 1) Opening, Balance of Cash in hand – Rs.1,82,500 & Bank Overdraft – Rs.1,28,000
- 2) Salary paid to staff – Rs. 29,000
- 3) Advertisement Expenses paid Rs. 16,000
- 4) Amount received through RTGS from Mr. Roy- Rs. 1,00,000; Mrs Praneeti -Rs. 50,000; M/s Amit & Sons- Rs. 45,700 & Pande Ltd.- Rs. 1,20,000
- 5) Interest on Fixed Deposit – Rs.9,000
- 6) Amount invested in shares of Reliance Industries is Rs. 1,20,000. Dividend received on this investment is Rs. 20,000
- 7) Loan given to Meghna Ltd. is Rs. 5,00,000 at 15% p.a. interest. Interest is paid every year on 15 March starting from 2018. The entire amount of principal will be repaid after 5 years.
- 8) Total sales made during the year is Rs. 10,00,000 of which 16% were credit sales.
- 9) Total purchases made during the year were Rs. 6,00,000 in cash and Rs. 8,00,000 on credit.
- 10) Interim Dividend of Rs. 15,000 and Final Dividend of Rs. 25,000 were paid during the year.
- 11) Amount paid to Abhay Ltd. Rs. 2,00,000 Ramesh Ltd. Rs. 20,000 and M/s Ram and Sons Rs. 15,000.
- 12) Bank loan taken of Rs. 15,00,000 on 1 May 2017. The first instalment of principal Rs. 1,00,000 plus interest Rs. 18,000 was paid on 31 March 2018.

Q.5 A company proposes to install a machine involving a capital cost of Rs.3,60,000. The life of the machine is 5 years and its salvage value at the end of the life as nil. The machine will produce the Net Operating Income after depreciation of Rs. 68,000 p.a. The company tax rate is 45% .The company can take a loan at 15% interest rate. You are required to calculate the Internal Rate of Return(IRR) of the proposal (12)

OR

Q.5 Explain the Definition, Scope and Nature of Financial Management. (12)

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