

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

B.B.A. LL. B. Sem - VI : WINTER- 2022

SUBJECT : FINANCIAL MANAGEMENT

Day : Saturday

Time : 02:00 PM-04:30 PM

Date : 3/12/2022

W-12551-2022

Max. Marks : 60

N.B.:

- 1) All questions are **COMPULSORY**.
- 2) Figures to the right indicate **FULL** marks.
- 3) Use of non-programmable **CALCULATOR** is allowed.

Q.1 A) Explain the relation between Risk, Return and Share value. **[12]**

OR

B) What is meant by Dividend Policy? Explain the factors affecting Dividend Decisions.

Q.2 A) Attempt the following: **[12]**

- i) An investor intends to earn an amount of ₹ 1,00,000. How much annual investment should he make every year for 10 years, if the rate of interest is 15% p.a. compounded annually?
- ii) An investor invests ₹ 65,000 at an interest rate of 7.5% compounded quarterly in a scheme for 3 years. The amount received by him on maturity, is invested by him in another scheme earning an interest rate of 5.5% compounded semi-annually for 2 years. Find out the amount received by him on the maturity of the 2nd investment. Also calculate the total amount of interest earned by him.
- iii) A investor has 2 options of investment:
 - 1) 8% p.a. interest rate compounded monthly.
 - 2) 5% p.a. simple interest rate.Assuming the amount to be invested in ₹ 12,000. Give your advice on which investment is better.

OR

B) Prepare the Income Statement and calculate the Operating Leverage, Financial Leverage and Combined Leverage.

- i) The company has issued 10% Debentures of the value of ₹ 10,00,000.
- ii) The Fixed Assets to Sales ratio is 3.
- iii) The Earnings Before Interest and Tax (EBIT) is 25% of sales.
- iv) The profit volume ratio is 45%.
- v) The value of Fixed Assets is ₹ 27,60,000.

Q.3 A) State difference between Cash Flow Statement and Funds Flow Statement. **[12]**

OR

P.T.O.

- B) Arun Industries Ltd., are planning to invest in a project costing ₹ 40 lakhs. The estimated life of the project is 6 years and the salvage value of the project is ₹ 6 lakhs. The company charges depreciation at rate of 15% p.a. on written down value basis. Tax Rate applicable to the company is 40%. The expected cash inflows before tax and depreciation are as follows:

Year	Amount (₹ in lakhs)
1	08
2	12
3	16
4	16
5	20
6	30

If the cost of capital is 10%, calculate:

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

- Q.4 A) What is meant by financial management? Explain the scope and nature of [12]
Financial Management.

OR

- B) From the following information as contained in the Income Statement and the Balance Sheet of Strong Ltd., you are required to prepare a Cash Flow Statement for the year ended 31st March, 2019.

Income Statement:

Particulars	Amount (₹)
Net Sales	40,32,000
Less : Cost of Sales	31,68,000
Depreciation	96,000
Salaries and Wages	3,84,000
Operating Expenses	1,28,000
Provision for Taxation	1,40,800
Net Profit (Operating)	1,15,200
Add : Profit on Sale of equipment	19,200
	1,34,400
Less : Proposed Dividend	1,15,200
Net Profit	19,200

Comparative Balance Sheets

Particulars	31/03/2018 (₹)	31/03/2019 (₹)	Particulars	31/03/2018 (₹)	31/03/2019 (₹)
Capital	5,76,000	7,10,400	Fixed Assets:		
Surplus in P & L A/c	2,42,880	2,62,080	Land	76,800	1,53,600
Sundry Creditors	3,84,000	3,74,400	Bldg. & Equipments	3,84,000	7,10,400
Outstanding Expenses	38,400	76,800	Current Assets:		
Income Tax Payable	19,200	21,120	Cash	96,000	1,15,200
			Debtors	2,68,800	2,97,600
			Stock	4,22,400	1,53,600
			Advances	12,480	14,400
Total	12,60,480	14,44,800	Total	12,60,480	14,44,800

Information:

- i) The equipment was sold for ₹ 57,600.
ii) The dividend proposed in P&L was paid in full on 31/03/2019.

...3...

- Q.5 A)** Explain the concept of capital structure and cost of capital. How does the cost of capital impact the capital structure? [12]

OR

- B)** Following are the Balance Sheets of Raman Ltd., as on 31/03/2019 and 31/03/2018 and Income Statement for the period ending 31/03/2019. During the year, an equipment whose book value was ₹ 15,000 was sold for ₹ 6,000 and its accumulated depreciation was ₹ 8,000.

Liabilities	31/03/2018 (₹)	31/03/2019 (₹)	Assets	31/03/2018 (₹)	31/03/2019 (₹)
Capital	2,50,000	4,60,000	Building and Equipment	3,15,000	3,60,000
Retained Earnings	2,31,000	2,11,000	Land	60,000	60,000
Provision for Tax	86,000	12,000	Patents	55,000	65,000
Provision for Social Security Tax	3,000	5,000	Accounts Receivable	54,000	47,000
Debentures	2,20,000	60,000	Inventories	3,12,000	2,77,000
Accounts Payable	58,000	94,000	Prepaid Expenses	6,000	4,000
Bills Payable	28,000	8,000	Cash	74,000	37,000
Total	8,76,000	8,50,000	Total	8,76,000	8,50,000

Income Statement:

Particulars	Amount (₹)
Net Sales	19,70,000
Less : Cost of goods sold	<u>14,80,000</u>
Gross Profit	4,90,000
Less : Operating Expenses	5,00,000
(includes depreciation on building and equipment ₹ 23,000 and patent amortization ₹ 6,000)	
Net Loss from operations	10,000
Other Revenue	<u>7,000</u>
	3,000
Add : Opening Balance of Retained earnings	2,31,000
Less : Dividend paid (₹16,000) and Loss on sale of asset (1,000)	<u>17,000</u>
	<u>2,11,000</u>

Prepare Funds Flow Statement. Give required working notes.

* * * *