



**GS-563**

IV Semester B.B.M. Examination, May/June - 2019

**BUSINESS MANAGEMENT**

**4.4 Financial Management  
(Repeaters) (2013-14) Prior to**

Time : 3 Hours

Max. Marks : 90/100

- Instructions :** (i) Answer all questions in English only.  
(ii) Section - A, B and C to be answered by all repeaters (90 marks)  
(iii) Section - D to be answered by students of 2012-13 only (100 marks)

**SECTION - A**

1. Answer **any ten** sub-questions. Each question carries **two** marks. **10x2=20**
- (a) Define Capital budgeting.
  - (b) Mention the meaning of "Primary Market".
  - (c) What do you mean by "Wealth Maximisation" ?
  - (d) Give the meaning of "Capitalisation".
  - (e) Mention any four sources of short term financing.
  - (f) What do you mean by "Factoring" ?
  - (g) What do you mean by "Fixed" and "Circulating" Capital ?
  - (h) Give the meaning of "Leverage".
  - (i) What do you mean by "Collection Costs" ?
  - (j) Give the meaning of Stock dividend.
  - (k) Mention two merits of "Net Present Value".
  - (l) A co ; issues 1000, 10% preference shares of ₹ 100 each at a discount of 5%, cost of raising capital is ₹ 2,000. Compute cost of preference capital.

**SECTION - B**

Answer **any five** questions. Each question carries **five** marks.

**5x5=25**

- 2. What are the reasons for Adequate Working Capital ?
- 3. What are the merits of Equity shares as a source of long term-financing ?

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4. Mention factors influencing the Capital budgeting.
5. Discuss importance of Cash Management.
6. Mention the factors influencing the Size of Receivables.
7. A project costs ₹ 5,00,000 and yields annually profit of ₹ 80,000 after depreciation at 12% per annum but before tax of 50%. Calculate pay back period.
8. Calculate operating and financial leverage from the following data. Interest ₹ 5,000, sales ₹ 75,000, variable cost ₹ 30,000, fixed cost ₹ 20,000.

### SECTION - C

Answer **any three** questions. Each question carries **fifteen** marks. **3x15=45**

9. What do you mean by "Capital Market" ? State the functions of capital market.
10. Explain the factor which determine the dividend policy of a firm.
11. The following two projects A and B requires an investment of ₹ 2,00,000 each. The income returns after tax for these projects are as follows.

Year	Project 'A'	Project 'B'
	₹	₹
2010	80,000	20,000
2011	80,000	40,000
2012	40,000	40,000
2013	20,000	40,000
2014	-	60,000
2015	-	60,000

Using the following criteria, determine which of the projects is preferable :

- (i) 8 years pay back
- (ii) ARR method
- (iii) Present value approach, if the Co's cost of capital is 10%

Year	: 1	2	3	4	5	6
Discount Factor	: 0.909	0.826	0.751	0.683	0.621	0.564





12. PQR Ltd. has equity share capital of ₹ 5,00,000 in shares of ₹ 100 each. It wishes to raise further ₹ 3,00,000 for expansion cum modernisation plans.

- (i) All equity shares
- (ii) ₹ 1,00,000 equity shares and ₹ 2,00,000 debt at 10% p.a.
- (iii) All debt at 10% p.a.
- (iv) ₹ 1,00,000 in equity shares and ₹ 2,00,000 preference share capital @ 8% dividend.

The co., has estimated EBIT at ₹ 1,50,000. The corporate rate of tax is 50%.

Calculate EPS in each case and comment on the most suitable one.

13. Explain the various objectives of Financial Management.

#### SECTION - D

To be answered by students of 2012-13 only.

1x10=10

14. Explain the factors determining the capital structure.

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