## GS-522

# IV Semester B.B.A. Examination, May/June - 2019 (CBCS (F+R) 2015-16 \& onwards) <br> <br> BUSINESS ADMINISTRATION <br> <br> BUSINESS ADMINISTRATION <br> <br> 4.4 Financial Management 

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Time : 3 Hours
Max. Marks : 70
Instruction : Answer should be completely written in English only.

## SECTION - A

Answer any Five sub-questions of the following and each carries two marks.

1. (a) Mention any four functions of financial management.
(b) What is combined Leverage ?
(c) What do you mean by dividend policy ?
(d) Give the meaning of profitability index.
(e). What is mean by optimal capital structure ?
(f) How do you calculate E.P.S.?
(g) What is time value of money ?

## SECTION - B

Answer any three questions of the following each question carries six marks.
2. What are the advantages of Accounting rate of return method ?
$3 \times 6=18$
3. Distinguish between operating Leverage and Financial Leverage.
4. Explain the factors determining financial plan.
5. A firm has sales of $₹ 10,00,000$, variable cost of $₹ 5,00,000$, fixed cost of $₹ 2,00,000$ and debt of ₹ $5,00,000$ at $10 \%$ interest. Calculate operating, Financial and combined leverage.
6. P.K. Ltd. invested $₹ 2,00,000$ on some project, the project generates profit before depreciation and tax of ₹ 70,000 p.a. for a period of 5 years. The scrap value of the project at the end $5^{\text {th }}$ year is zero. Determine the average rate of return for the project, assuming 50\% tax rate and straight line method of providing depreciation.
Calculate average rate of return.

## SECTION - C

Answer any three of the following questions. Each question carries 14 marks.
7. Explain the functions of finance manager.
$3 \times 14=42$
8. Explain in detail the defferent determinants of working capital requirements of a company.
9. Explain the factors which determine the dividend policy of a Company.
10. Bharath Electronics Ltd. is considering the purchase of a machine. Two machines are available, each costing ₹ $3,00,000$ in comparing the profitability of these two machines a discount rate of $10 \%$ is to be used. Earnings after tax are expected to be as follows.

| Years | Machine -A | ₹ |
| :---: | :---: | :---: |
|  | Machine - B |  |
| 1 | 90,000 | 30,000 |
| 2 | $1,20,000$ | 90,000 |
| 3 | $1,50,000$ | $1,20,000$ |
| 4 | 90,000 | $1,80,000$ |
| 5 | 60,000 | $1,80,000$ |

Following are the P.V factors of ₹ 1 at $10 \%$ p.a. for the years 1 to 5 :

| Year | 1 | 2 | 3 | 4 | 5 |
| :---: | :---: | :---: | :---: | :---: | :---: |
| PV at $10 \%$ | 0.909 | 0.826 | 0.751 | 0.683 | 0.621 |

Evaluate the proposal under :
(1) The Accounting rate of return (A.R.R)
(2) The Net Present Value (N.P.V)
11. A Company has EBIT of $₹ 4,80,000$ and its capital structure consist of the following securities.

Equity share capital ( $₹ 10$ each) $12 \%$ preference share (₹100 each) 14.5\% Debenture

The Company is facing fluctuation in its sales. What would be the percentage changes in EPS
(a) If EBIT of the Company increase by $25 \%$
(b) If EBIT of the Company decrease by $25 \%$ The Company tax rate is $35 \%$

