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GS-522

IV Semester B.B.A. Examination, May/June - 2019 (CBCS (F+R) 2015-16 & onwards)

Answer any three of the following questions. Each question carrie

BUSINESS ADMINISTRATION

4.4 Financial Management

onics Ltd. is considering the purchase of a ma

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.

5x2=10

3x6 = 18

- 1. (a) Mention any four functions of financial management.
 - (b) What is combined Leverage ?
 - (c) What do you mean by dividend policy ?00 08
 - (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 ?

as EBIT of 7 4.80,000 and its capital structure

- 3. Distinguish between operating Leverage and Financial Leverage.
- 4. Explain the factors determining financial plan.
- 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 5th 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.

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SECTION - C

Answer any three of the following questions. Each question carries 14 marks.

Explain the functions of finance manager. 7.

3x14=42

- Explain in detail the defferent determinants of working capital requirements 8. of a company.
- Explain the factors which determine the dividend policy of a Company. 9.
- 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	SECTIC		
	ows and the interest	₹			
1	90,000	30,000	Answer any Pive sub-questions of u		
2	1,20,000	90,000			
3	1,50,000	1,20,000			
4	90,000	1,80,000	(b) while is common a high dividend		
5	60,000	1,80,000			
7.11	II DILC				

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

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

Evaluate the proposal under :

- The Accounting rate of return (A.R.R) (1)
- (2)The Net Present Value (N.P.V)
- What are the advantages of Accounting rate of return 11. A Company has EBIT of ₹ 4,80,000 and its capital structure consist of the following securities.

Equity share capital (₹10 each) ₹4,00,000 12% preference share (₹100 each) ₹ 6,00,000 14.5% Debenture ₹ 10,00,000 The Company is facing fluctuation in its sales. What would be the percentage changes in EPS ₹ 2,00,000 and debt of ₹ 5,00,000 at 10% interest. C

- If EBIT of the Company increase by 25% (a)
- If EBIT of the Company decrease by 25% (b) The Company tax rate is 35%

before depreciation and tax of ₹ 70,000 p.a. for a period of 5 years. The scrap - 0 0 /o of return for the project, assuming 50% (as rate and straight line method of

providing depreciation.