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DCBB404

IV Semester B.B.A. Degree Examination, June/July - 2025
(NEP Scheme Freshers and Repeaters)
BUSINESS ADMINISTRATION

Financial Management

Paper : BBA 4.3

Time : 2½ Hours

Maximum Marks : 60

Instructions :

Answers should be written completely in English.

SECTION - A

Answer any Five of the following questions. Each question carries 2 marks.
(5×2=10)

1. a) Define financial planning.
- b) What do you mean by wealth maximization?
- c) What is net present value method?
- d) State the meaning of cost of capital.
- e) Give the meaning of optimum capital structure.
- f) A project costs Rs. 1,00,000 and yields an annual cash inflows Rs. 20,000 for 8 years. Calculate its payback period.
- g) Explain the meaning of time value of money.

SECTION - B

Answer any Three questions. Each question carries 4 marks. **(3×4=12)**

2. From the following information, calculate Operating Financial and Combined Leverages.
Sales Rs. 5,00,000.
Variable cost 30%.
Fixed cost Rs. 1,00,000.
Tax rate is 50%.
12% debenture capital Rs. 1,00,000.

[P.T.O.]



3. From the following information. Calculate ARR.

Investment Rs. 5,00,000.

Scrap value 10%.

Working capital Rs. 75,000.

Working life 4 years.

Year	1	2	3	4
EAT/PAT	30,000	40,000	60,000	80,000

4. Calculate the future values at the end of five years of the following series of payments at 10% rate of Interest.

Rs. 2,000 at end of 1st year.

Rs. 2,500 at end of 2nd year.

Rs. 3,000 at end of 3rd year.

Rs. 3,500 at end of 4th year.

Rs. 4,000 at end of 5th year.

5. What do you understand by working capital? Discuss the various sources of working capital funds.
6. Analyze the factors which determine the dividend policy.

SECTION - C

Answer any Three questions. Each question carries 10 marks. (3×10=30)

7. A company has EBIT of Rs. 2,40,000 and its capital structure consist of the following securities.

Equity shares capital (Rs. 10 each) - Rs. 2,00,000.

12% preference shares - Rs. 3,00,000.

14.5% debentures - Rs. 5,00,000.

The company is facing fluctuation in the sales. What would be percentage change in EPS.

- If EBIT of the company increases by 25%.
- If EBIT of the company decreases by 25%.
- The company tax rate is 35%.



8. A firm whose cost of capital is 10% is considering two projects X and Y. The details of which are.

Particulars	Project X (Rs)	Project Y (Rs)
Investment	2,00,000	2,00,000
Cash inflow		
1 st year	40,000	90,000
2 nd year	60,000	80,000
3 rd year	80,000	60,000
4 th year	1,00,000	20,000
5 th year	1,20,000	16,000

Compute IRR for the two projects separately, project X by 20% and 25% and project Y by 10% and 14%. Use the following discount factor for calculating IRR.

Year	Project X		Project Y	
	20%	25%	10%	14%
1	0.833	0.800	0.909	0.877
2	0.694	0.640	0.826	0.769
3	0.578	0.512	0.751	0.674
4	0.482	0.409	0.683	0.592
5	0.401	0.327	0.620	0.519

9. A company is considering an investment proposal to install a new machine. The project will cost Rs. 1,00,000 and will have a life of 5 years and no salvage value. The company's tax rate is 30%. No investment allowances allowed. The firm uses straight line method of depreciation. The estimated net income before depreciation and tax are as follows.

Year	1	2	3	4	5
Net Income before Depreciation and Tax	20,000	22,000	28,000	30,000	50,000

Compute the following.

- Pay Back period.
- NPV at 10% discount rate.
- Profitability index at 10%.
- PV factor at 10% is 0.909, 0.826, 0.751, 0.683, 0.621.

[P.T.O.]



10. What is financial management? Explain the goals of financial management.
11. Briefly explain the problems of excess and inadequate working capital faced by the concerns.

SECTION - D

Answer any One of the following questions. Each question carries 8 marks.
(1×8=8)

12. a) Prepare an estimate of working capital requirement from the following information.
- Projected annual sales Rs. 1,20,000 units.
 - Selling price Rs.10 per unit.
 - Percentage of net profit as sales 30% average credit period allowed to customer Ten weeks.
 - Average credit period allowed to supplier Five weeks.
 - Average stock holding in terms of sales requirement Five weeks.
 - Allow 15% for contingences.

(OR)

- b) What are the principles Governing good financial planning?
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