



DCBB – 404

**IV Semester B.B.A. Degree Examination, July/August 2024
(NEP) (Freshers and Repeaters)
BUSINESS ADMINISTRATION
Financial Management**

Time : 2½ Hours

Max. Marks : 60

Instruction : Answers should be written in **English** only.

SECTION – A

Answer **any five** sub-questions, **each** sub-question carries **2** marks : **(5×2=10)**

1. a) What do you mean by Financial Decision ?
b) Write the meaning of Financial Management.
c) Calculate the present value of Rs. 50,000 received after 5 years, if the discount rate is 10%.
d) What do you mean by stock dividend ?
e) Write the meaning of operating leverage.
f) The earnings after tax is Rs. 14,00,000. Income tax rate is 30%, Interest is Rs. 4,00,000. Find out EBIT.
g) State any four components of a working capital.

SECTION – B

Answer **any three** questions, **each** question carries **4** marks : **(3×4=12)**

2. Explain the functions of a finance manager.
3. Briefly explain the various forms of dividend.
4. A firm has sales of Rs. 20,00,000, Variable cost of Rs. 14,00,000, Fixed cost of Rs. 4,00,000 and debt of Rs. 10,00,000 at 10% rate of interest.
Calculate :
a) Operating leverage,
b) Financial leverage,
c) Combined leverage.

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5. The initial investment of a project is Rs. 2,50,000 and it generates net cash inflows of Rs. 90,000, Rs. 80,000, Rs. 70,000 and Rs. 50,000 respectively for four years. Rate of discount is 10%. Calculate profitability index.

Year	1	2	3	4
Discount Factor at 10%	0.909	0.826	0.751	0.683

6. Calculate the future value at the end of five years of the following series of payments at 10% rate of interest.

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

Rs. 2,000 at the end of 2nd year

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

Rs. 2,000 at the end of 4th year

Rs. 1,500 at the end of 5th year.

SECTION – C

Answer **any three** questions, **each** question carries **10** marks : **(3×10=30)**

7. What is working capital ? Discuss the importance of adequate working capital.
8. What is Financial Planning ? Explain the factors affecting financial plan.
9. KNS Co. Ltd. has equity share capital of Rs. 10,00,000 divided into shares of Rs. 100 each. It wishes to raise further Rs. 6,00,000 for expansion cum modernization plans. The company plans the following financing schemes :
- All equity shares
 - Rs. 2,00,000 in equity shares and Rs. 4,00,000 in debt @ 10% p.a.
 - All debt @ 10% p.a.
 - Rs. 2,00,000 in equity shares and Rs. 4,00,000 in 8% preference shares.

The company's expected Earnings Before Interest and Tax (EBIT) are Rs. 3,00,000. The corporate tax rate is 50%. You are required to calculate EPS and suggest which plan is better.



10. A firm's cost of capital is 10%, it is considering two mutually exclusive projects M and N. The details are given below :

Investments (Rs.)	Project M	Project N
	1,40,000	1,40,000
Net Cash Flows (Rs.)		
Year	A	B
1	20,000	1,20,000
2	40,000	80,000
3	60,000	40,000
4	90,000	20,000
5	1,20,000	20,000
Total	3,30,000	2,80,000

Compute :

- a) Payback period
- b) Net present value

PV Factor @ 10% for 5 years.

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

11. Determine the earnings per share of a company which has an operating profit of Rs. 4,80,000. Its capital structure consists of the following securities :

- a) 10% debentures – Rs. 15,00,000.
- b) 12% preference shares – Rs. 3,00,000.
- c) Equity shares of Rs. 100 each – Rs. 12,00,000.

The company is in the tax bracket of 50%.

Calculate :

- i) Earnings per share.
- ii) Calculate the change in EPS if operating profit increased by 30%.
- iii) Calculate the change in EPS if operating profit decreased by 30%.



SECTION – D

Answer **any one** of the following questions, question carries **8** marks : **(1×8=8)**

12. You are appointed as a financial consultant for a mid-sized manufacturing company. Prepare an estimate of working capital requirements for a company with imaginary figures.
 13. You are a Chief Finance Officer of a textile company and you are planning to expand your operations in a new State. How do you fund this new venture through various long term sources of finance.
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