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**Paper ID [C0219]**

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**BBA (Sem. - 4<sup>th</sup>)****FINANCIAL MANAGEMENT (BB - 402)****Time : 03 Hours****Maximum Marks : 60****Instruction to Candidates:**

- 1) Section - A is **Compulsory**.
- 2) Attempt any **Four** questions from Section - B.

**Section - A****Q1)****(10 × 2 = 20)**

- a) Economic value added.
- b) Finance and accounting.
- c) Historical cost and future cost.
- d) Explicit cost and implicit cost.
- e) Earning per share.
- f) Profitability index.
- g) Capital gearing.
- h) Capital rationing.
- i) Cash flows vs. Accounting profit.
- j) Marginal cost of capital.

**Section - B****(4 × 10 = 40)**

**Q2)** What is the meaning and scope of financial management? Comment on the emerging role of finance manager in India.

**Q3)** What are the various capital budgeting practices being adopted in India? Discuss the modern techniques to evaluate capital budgeting decision.

**Q4)** What do you mean by capital structure decisions? What are possible reasons for incorporating changes in the capital structure of the firm?

**E-272 [1208]****P.T.O.**

**Q5)** One of the three projects of the company is doing poorly and is being considered for replacement. The projects (A, B and C) are expected to require Rs. 200000 each, have an estimated life of 5 years, 4 years, and 3 years respectively, and have no salvage values. The required rate of return is 10%. The anticipated cash flows after taxes (CFAT) for the three projects are as follows.

CFAT (Rs.)			
Year	A	B	C
1	50000	80000	100000
2	50000	80000	100000
3	50000	30000	10000
4	50000	30000	-
5	190000	-	-

Rank each project applying the method of pay back period and post pay back profitability.

**Q6)** Give a critical appraisal of the Modigliani-Millers approach to capital structure.

**Q7)** Given below is the summary of the balance sheet of a company as at 31<sup>st</sup> Dec, 2007.

Liabilities	Rs.	Assets	Rs.
Equity share capital 20000 shares of Rs. 10 each	200000	Fixed assets	400000
Reserves and surplus	130000	Investments	50000
8% redeemable debentures	170000	Current assets	200000
Short term loans	100000		
Trade creditors	50000		
	650000		650000

You are required to calculate the company's weighted cost of capital using balance sheet valuations. The following additional information is also available:

- 8% debentures were issued at par
- All interest payments are up-to-date and equity dividend is currently 12%
- Short term loan carries interest at 18% p.a.
- The shares and debentures of the company are all quoted on the stock exchange and current market prices are as follows:
  - Equity shares Rs. 14 each
  - 8% debentures Rs. 98 each
- The rate of tax for the company may be taken at 50%.

