

Paper Code : 21221

F-221

B. B. A. (Fourth Semester)

EXAMINATION, 2019

(New Course)

Paper No. BBA—N-402

FINANCIAL MANAGEMENT

Time : Three Hours] [Maximum Marks : 70

Note : Attempt *five* questions in all, selecting *one* question from each Unit. All questions carry equal marks.

Unit—I

1. What is meant by the term 'Leverage' ? What are its types ? State the situation when there is neither a financial risk nor business risk ?

Or

Mr. Ram has made real estate investment for ₹ 12,000 which he expects will have a maturity value equivalent to interest at 12% compounded monthly for five years. If most savings institutions currently pay 8%

(B-11) P. T. O.

[2]

21221

compounded quarterly on a five year term, what is the least amount for which Mr. Ram should sell his property ? Given that $(1 + i)^n = 1.81669670$ for $i = 1\%$ and $n = 60$ and that $(1 + i)^{-n} = .67297$ for $i = 2\%$ and $n = 20$.

Unit—II

2. What are the factors which determine capital structure ?

Or

- (a) ABC Company provides the following details :

$D_0 = ₹ 4.19; P_0 = ₹ 50; g = 5\%$

Calculate the cost of retained earnings based on DCF method.

- (b) R Company's EBIT is ₹ 5,00,000. The company has 10%, 20 Lakh debentures. The equity capitalisation rate is 16%. Calculate market value of equity and value of firm.

Unit—III

3. What are the factors that determine the dividend policy of a company ? Do you believe it will be justifiable for a company to obtain a short-term loan from a bank to allow payment of dividend ?

Or

ABC Ltd. is considering an expansion of the installed capacity of one of its plants at a cost of ₹ 35 lakh. The firm has a minimum required rate of return of 12%. The following are the expected cash inflows over next

(B-11)

6 years after which the plant will be scrapped away for nil value :

Years	Cash in Flow (in Lakhs)
1	10
2	10
3	10
4	10
5	5
6	5

Consider the proposal on the basis of the NPV technique. http://www.mjpruonline.com

Unit—IV

4. A company is a distributor of air filters to retail stores. It buys its filters from several manufactures. Filters are ordered in lot sizes of 1000 and each order costs ₹ 40 to place. Demand from retail stores is 20000 filters per month and carrying cost is ₹ 0.10 a filter per month :

- (a) What is the optimum order quantity with respect to so many lot sizes ?
- (b) What would be the optimal order quantity if the carrying cost were ₹ 0.05 a filter per month ?
- (c) What would be the optimal order quantity if ordering costs were ₹ 10 ?

Or

“The objective of financial management is wealth maximisation and profit maximisation.” Comment.

Unit—V

5. “Liquidity and profitability are competing goals for the finance manager.” Comment.

Or

Define capital structure. Explain Modigliani-Miller approach of capital structure.

http://www.mjpruonline.com

Whatsapp @ 9300930012

Your old paper & get 10/-

पुराने पेपर्स भेजे और 10 रुपये पायें,

Paytm or Google Pay से

http://www.mjpruonline.com

http://www.mjpruonline.com

http://www.mjpruonline.com

http://www.mjpruonline.com