



**K-3534**

**Second Year B. B. A. (Sem. IV) Examination**  
**September / October - 2012**  
**Financial Management**  
(New Course)

Time : 3 Hours]

[Total Marks : 70

**Instructions :**

(1)

<p>नीचे दशावलि निशानीवाणी दिगतो उत्तरवही पर अवश्य लपवी. Fillup strictly the details of signs on your answer book.</p> <p>Name of the Examination :</p> <p><b>Second Year B. B. A. (Sem. 4)</b></p> <p>Name of the Subject :</p> <p><b>Financial Management (New)</b></p> <p>Subject Code No. : <b>3 5 3 4</b> Section No. (1, 2,.....) : <b>Nil</b></p>	<p>Seat No. :</p> <table border="1" style="width: 100%; height: 20px; border-collapse: collapse;"> <tr> <td style="width: 15%;"></td> <td style="width: 15%;"></td> <td style="width: 15%;"></td> <td style="width: 15%;"></td> <td style="width: 15%;"></td> <td style="width: 15%;"></td> </tr> </table> <div style="border: 1px solid black; border-radius: 15px; padding: 10px; margin-top: 10px;"> <p align="center">Student's Signature</p> </div>						

- (2) Q. No 1 is compulsory.  
(3) Use of simple calculator is allowed.

- |          |   |           |
|----------|---|-----------|
| <b>1</b> | Answer the following :  | <b>14</b> |
|          | (i) When does a preference shareholder get the right of vote ?                                    |           |
|          | (ii) Define financial management.   |           |
|          | (iii) What is SWAP ?  |           |
|          | (iv) What are costs involved in carrying inventory ?  |           |
|          | (v) What are the objectives of maintaining receivables ?  |           |
|          | (vi) Which firm will have no operating leverage ?   |           |
|          | (vii) Give classification of capital budgeting projects.  |           |
| <b>2</b> | (a) Critically evaluate the goals of maximization of profit and minimization of return on equity. | <b>8</b>  |
|          | (b) Evaluate debenture as a source of long term finance from the company's view point.            | <b>6</b>  |

**OR**

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**1**

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- 2 (a) Evaluate term loans from the view point of lender and company. 8  
 (b) Discuss the functions performed by finance manager. 6
- 3 (a) Explain various factors affecting forex rate in detail. 6  
 (b) Discuss credit policy variable. 6

OR

- 3 (a) Harish Pump Company uses about 75,000 valves per year and usage is constant at 6250 per month. The valve costs Rs. 1.50 per unit when bought in quantities and the carrying cost is estimated to be 20% of average inventory investment on an annual basis. The cost to place an order and process the delivery is Rs. 18. It takes 45 days to receive delivery from the date of an order and a safety stock of 3250 valves is desired. You are required to ascertain :
- (i) The most economical order quantity  
 (ii) The ordering point  
 (iii) The most economical order quantity if the valves cost Rs. 4.50 each instead of Rs. 1.50 each.
- (b) Explain causes and effect of over-capitalization. 6
- 4 Aasu Ltd. has the following balance sheet and income statement : 10

Balance Sheet as on 31<sup>st</sup> March, 2011

<i>Liabilities</i>	<i>Amount</i>	<i>Assets</i>	<i>Amount</i>
	<i>Rs.</i>		<i>Rs.</i>
Equity share capital of Rs. 10 each	32,00,000	Fixed Assets	40,00,000
10% Debentures	24,00,000	Current Assets	36,00,000
Retained Earnings	14,00,000		
Current Liabilities	6,00,000		
	<b>76,00,000</b>		<b>76,00,000</b>

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[Contd...



Income Statement for the year ending March, 2011.

<i>Particulars</i>	<i>Amount Rs.</i>
Sales .....	13,60,000
Less : Operating Expenses	
(including depreciation Rs. 2,40,000) .....	4,80,000
EBIT .....	<u>8,80,000</u>
Less : Interest .....	2,40,000
EBT .....	<u>6,40,000</u>
Less : 50% tax .....	3,20,000
Net Earnings .....	<u><u>3,20,000</u></u>

You are required to determine the degree of operating and combined leverage at the current sales level, if all expenses other than depreciation are variable cost. What will be the EPS if sales increase by 20%.

OR

- 4 Devam Ltd. has to make choice between Project A and B 10
- which require initial investment of Rs. 60,000 and Rs. 50,000 and are expected to generate net cash flow as under :

Year	1	2	3	4	5	6
Project A	30,000	20,000	20,000	10,000	5,000	5,000
Project B	10,000	5,000	5,000	20,000	20,000	30,000

The cost of capital of the company is 10% and P.V. factor at 10% for 1 to 6 years are 0.909, 0.826, 0.751, 0.683, 0.621 and 0.564 respectively. Evaluate the proposal under payback period, NPV and PI and suggest which proposal should be accepted ?

- 5 (a) Compare and contrast NPV and IRR. 5  
 (b) List out various sources of working capital finance 3  
 and explain factoring in detail. 3
- OR
- 5 (a) How cash inflows are managed in the organization ? 5  
 (b) What are the objectives of inventory management ? 3
- 6 Write short notes : (any two) 12  
 (i) IRR  
 (ii) Maximum permissible bank finance  
 (iii) Capital market.

10 Devang Ltd. has to make a choice between Project A and B, which require initial investment of Rs. 80,000 and Rs. 30,000 and are expected to generate the following cash inflows:

Year	Project A	Project B
1	10,000	10,000
2	20,000	20,000
3	30,000	30,000
4	40,000	40,000
5	50,000	50,000