

BBA
4TH Semester
FINANCIAL MANAGEMENT
BBA- 401

Duration: 3 Hrs.

Marks: 70

{ Part : A (Objective) = 20
Part : B (Descriptive) = 50 }

[PART-B: Descriptive]

Duration: 2 Hrs. 40 Mins.

Marks: 50

[Answer question no. One (1) & any four (4) from the rest]

1. Discuss the major decisions which are taken by financial management in a business organisation? Critically discuss the 'Profit maximisation objective of financial management? 2+8=10
2. Discuss the feature of Equity Share. Distinguish between Equity Share and Debenture. 4+6=10
3. What do you mean by Capital Budgeting? Write short note on Accounting rate of return and Internal Rate of return method. 2+4+4=10
4. A company has the following capital structure and after tax cost for the different sources of funds used:

Source of fund	Amount(₹)	After tax Cost(₹)
Debt	15,00,000	5%
Preference Share	15,00,000	10%
Equity Share	30,00,000	12%
Total	60,00,000	

You are required to compute the weighted average cost of capital.
5. What is meant by Net Working capital? Explain the factors affecting the size of working capital requirements. 2+8=10
6. What do you mean by Capital Structure? Explain the determinants of Capital Budgeting. 2+8=10

7. a) A project requires a cash outlay of Rs 20,000, and generates cash inflows of Rs 8,000; Rs 7,000; Rs 4,000; and Rs 3,000 during the next 4 years. What is the project's payback period? 5+5=10

b) The initial cash outlay of a project is Rs 100,000 and it can generate cash inflow of Rs 40,000, Rs 30,000, Rs 50,000 and Rs 20,000 in 1-4 years. Assume a 10 per cent rate of discount. Calculate Profitability Index of the project.

8. A proforma cost sheet of a company provides the following particulars
Elements of Cost

Material	40%
Direct Labour	20%
Overheads	20%

The following further particulars are available:

- (a) It is proposed to maintain a level of activity of 2,00,000 units
- (b) Selling price is Rs.12 per unit
- (c) Raw Materials are expected to remain in stores for an average period of one month.
- (d) Materials will be in process, on averages of half month
- (e) Finished goods are required to be in stock for an average period of one month.
- (f) Credit allowed to debtors in two months
- (g) Credit allowed by suppliers is one month.

You may assume that sales and production follow a consistent pattern
You are required to prepare a statement of working capital requirements.

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[PART-A : Objective]

Choose the correct answer from the following;

1X20=20

1. The appropriate objective of an enterprise is;

- (a) Maximisation of sale
 (c) Maximisation of profits.
- (b) Maximisation of owners wealth.
(d) None of these.

2. The job of a finance manager is confined to

- (a) Raising funds
 (c) Raising of funds and their effective utilization.
- (b) Management of cash
(d) None of these.

3. Financial decision involve;

- (a) Investment, financing and dividend decision
 (b) Investment, financing and sales decision
 (c) Financing, dividend and cash decision
 (d) None of these.

4. The focal point of financial management in a firm is:

- (a) the number and types of products or services provided by the firm.
 (b) the minimization of the amount of taxes paid by the firm.
 (c) the creation of value for shareholders.
 (d) the rupee profits earned by the firm.

5. _____ is defined as the length of time required to recover the initial cash out-lay.

- (a) Payback-period
 (c) Discounted payback-period
- (b) Inventory conversion period
(d) Budget period

6. A project's *profitability index* is equal to the ratio of the of a project's future cash flows to the project's .

- (a) present value; initial cash outlay
 (c) present value; depreciable basis
- (b) net present value; initial cash outlay
(d) net present value; depreciable basis

7. The term "capital structure" refers to:

- a) long-term debt, preferred stock, and common stock equity.
b) current assets and current liabilities.
c) total assets minus liabilities.
d) shareholders' equity.

8. In finance, "working capital" means the same thing as

- a) total assets.
c) current assets.
- b) fixed assets.
d) current assets minus current liabilities.

9. "Shareholder wealth" in a firm is represented by:

- a) the number of people employed in the firm.
b) the book value of the firm's assets less the book value of its liabilities
c) the amount of salary paid to its employees.
d) the market price per share of the firm's common stock.

10. Capital Budgeting is a part of:

- (a) Investment Decision
(c) Marketing Management
- (b) Working Capital Management
(d) Capital Structure

11. Capital Budgeting deals with:

- (a) Long-term Decisions
(c) Both (a) and (b)
- (b) Short-term Decisions
(d) Neither (a) nor (b)

12. Proposal is not a Capital Budgeting proposal if it:

- (a) is related to Fixed Assets
(c) brings short-term benefits only
- (b) brings long-term benefits
(d) has very large investment.

13. Cost of Capital refers to:

- (a) Flotation Cost
(c) Required Rate of Return
- (b) Dividend
(d) None of the above.

14. Which of the following has the highest cost of capital?

- (a) Equity shares
(c) Bonds
- (b) Loans
(d) Preference shares

15. Weighted Average Cost of Capital is generally denoted by:

- (a) kA
- (b) kw
- (c) k0
- (d) kc

16. Which of the following cost of capital require tax adjustment?

- (a) Cost of Equity Shares
- (b) Cost of Preference Shares
- (c) Cost of Debentures
- (d) Cost of Retained Earnings.

17. The term capital structure denotes:

- (a) Total of Liability side of Balance Sheet,
- (b) Equity Funds, Preference Capital and Long term Debt
- (c) Total Shareholders Equity,
- (d) Types of Capital Issued by a Company.

18. Debt Financing is a cheaper source of finance because of:

- (a) Time Value of Money
- (b) Rate of Interest,
- (c) Tax-deductibility of Interest
- (d) Dividends not Payable to lenders.

19. A firm's working capital consists of investment in

- a) Current Assets
- b) Current liabilities
- c) Short term assets
- d) Both a & c

20. Which of the following is not a current asset

- a) Cash in hand
- b) Cash at bank
- c) Debtors
- d) Creditors

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UNIVERSITY OF SCIENCE & TECHNOLOGY, MEGHALAYA



Question Paper CUM Answer Sheet

[PART (A) : OBJECTIVE]

Serial no. of the main Answer sheet

Course :

Semester : Roll No :

Enrollment No : Course code :

Course Title :

Session : 2016-17 Date :

Instructions / Guidelines

- > The paper contains twenty (20) / ten (10) questions.
- > The student shall write the answer in the box where it is provided.
- > The student shall not overwrite / erase any answer and no mark shall be given for such act.
- > Hand over the question paper cum answer sheet (Objective) within the allotted time (20 minutes / 10 minutes) to the invigilator.

Full Marks	Marks Obtained	Remarks
20		

Scrutinizer's Signature

Examiner's Signature

Invigilator's Signature