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**PRESIDENCY UNIVERSITY**

**Bengaluru**

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| **Make up Examinations – JANUARY 2025** |
| **Date:** 02-01-2025 **Time:** 01:00 pm – 04:00 pm |

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| **School:** SOC**/**SOM-UG | **Program:** BBA/B.COM | |
| **Course Code:** BBA2030 | **Course Name:** Financial Management | |
| **Semester**: III | **Max Marks**: 100 | **Weightage**: 50% |

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| **CO - Levels** | **CO1** | **CO2** | **CO3** | **CO4** | **CO5** |
| **Marks** | **20** | **31** | **33** | **33** | **33** |

**Instructions:**

1. *Read all questions carefully and answer accordingly.*
2. *Do not write anything on the question paper other than roll number.*

**Part A**

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| **Answer ALL the Questions. (10 x 2 Marks = 20 Marks)** | **Bloom's Level** | **CO** |

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| **1** | Define profit maximization. | **2 Marks** | **Remember** | **CO1** |
| **2** | What is financial planning? | **2 Marks** | **Remember** | **CO1** |
| **3** | Recall the role of an internal auditor in the organizational structure of finance. | **2 Marks** | **Remember** | **CO1** |
| **4** | What is an optimum capital structure? | **2 Marks** | **Remember** | **CO3** |
| **5** | Name two external factors affecting the capital structure of an organization. | **2 Marks** | **Remember** | **CO3** |
| **6** | Define doubling period. | **2 Marks** | **Remember** | **CO3** |
| **7** | What are Composite dividends? | **2 Marks** | **Remember** | **CO5** |
| **8** | List down the steps in the capital budgeting process. | **2 Marks** | **Remember** | **CO3** |
| **9** | Find out the present value of Rs.5000 received at the end of the year, if the discount rate is 9% p.a. | **2 Marks** | **Apply** | **CO2** |
| **10** | Compute Operating Leverage: Sales- 4,00,000, Fixed Cost- 2,00,000, Variable Cost- 1,50,000 | **2 Marks** | **Apply** | **CO3** |

**Part B**

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| **Answer ALL the Questions. (5 x 7 Marks = 35 Marks)** | | | | **Bloom's Level** | **CO** |
| **11** | **a** | Careerway Education is a medium-sized educational consulting firm that specializes in providing career counseling and training programs. The company has been experiencing growth but is facing challenges in managing its finances effectively due to increased operational costs and fluctuating revenues. The owner has decided to hire a finance manager to oversee financial operations and develop strategies for sustainable growth. Explain the role of a finance manager to an organization. | **7 Marks** | **Understand** | **CO1** |
| **Or** | | | | |
| **b** | Plora Organics pvt ltd. is a small, sustainable farming business that specializes in organic produce. After two successful years in operation, the owner is looking to expand the business by investing in new equipment and increasing marketing efforts to attract more customers. However, the owner needs to create a comprehensive financial plan to ensure that these investments do not jeopardize the company's current cash flow or operational stability. You as their manager, explain financial planning & its importance. | **7 Marks** | **Understand** | **CO1** |

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| **12** | **a** | PQR Ltd. is planning to initiate an IPO and must explain the forms of dividend to the board members. You as the CFO of the company, explain the forms of dividend to the board members. | **7 Marks** | **Understand** | **CO3** |
| **Or** | | | | |
| **b** | You are the CEO of a newly listed pharmaceutical company. After a profitable year, the board is considering declaring its first-ever dividend to shareholders. However, the CFO raises concerns about the company’s long-term expansion plans, liquidity requirements, and fluctuating market conditions, which might impact the dividend decision. The board needs you to explain the factors affecting the dividend policy. | **7 Marks** | **Understand** | **CO5** |

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| **13** | **a** | Mr. Manju deposits Rs.3000 at the end of every year for five years in his savings account paying 6% interest compounded annually. He wants to determine how much money he will have at the end of 5 years under FVA . | **7 Marks** | **Understand** | **CO5** |
| **Or** | | | | |
| **b** | Find out the present value of Rs.12,000/- receivable after 3 years at the discount rate of 12%. Calculate quarterly and semiannually. | **7 Marks** | **Apply** | **CO2** |

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| **14** | **a** | Calculate the operating leverage, financial leverage and combined leverage for the following firms and comment comparatively.   |  |  |  |  | | --- | --- | --- | --- | | Particulars | A | B | C | | Output (units) | 25,000 | 47,500 | 35,000 | | Fixed cost (Rs) | 20,000 | 25,000 | 6,500 | | Variable cost (per unit) | 10 | 7.5 | 10 | | Interest expenses (Rs) | 22,500 | 30,000 | NIL | | Selling price (per unit) | 250 | 225 | 50 | | **7 Marks** | **Apply** | **CO3** |
| **Or** | | | | |
| **b** | The Installed capacity of a factory is 5,600 units, the actual exploited capacity is 4,000 units, selling price per unit is Rs.20 and variable cost is Rs.12 per unit and Interest is 4,000 in all situations, Compute all the three leverages in each of the following situations:  a) When fixed cost is Rs.4,000  b) When fixed cost is Rs.8,800  c) When fixed cost is Rs.12,000 | **7 Marks** | **Apply** | **CO3** |

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| **15** | **a** | Cash inflow and cash out flow of Narmada project is given below:   |  |  |  | | --- | --- | --- | | Year | Cash outflow | Cash in flow | | 0 | 1,50,000 | - | | 1 | 30,000 | 20,000 | | 2 | - | 30,000 | | 3 | - | 60,000 | | 4 | - | 80,000 | | 5 | - | 30,000 |   The salvage value at the end of the 5th year is Rs. 40,000. Calculate NPV. | **7 Marks** | **Apply** | **CO4** |
| **Or** | | | | |
| **b** | The cost of a plant is Rs.4,00,000 and cash flows for the first three years are Rs. 40,000, Rs. 1,60,000 and Rs. 2,40,000. Express the payback period in terms of years and months. | **7 Marks** | **Apply** | **CO4** |

**Part C**

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| **Answer Any THREE Questions. Each question carries 15 marks. (3 x 15 Marks = 45 Marks)** | **Bloom's Level** | **CO** |

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| **16** | You are the finance manager of a fast-growing e-commerce company. The company has reported significant profits this year, but it also plans to invest heavily in new technology and market expansion. During a meeting, the CEO and board of directors discuss whether to retain the profits for reinvestment or distribute them to shareholders as dividends. In this regard, you need to explain the meaning of dividend decision, dividend policy and types of dividend policy. | **15 Marks** | **Understand** | **CO5** |
| **17** | 1. Calculate the present value of the following series of payments made at the end of each year for a period of 5 years at 12% discount rate.   Cash flow at the end of 1st year – Rs.11,000  Cash flow at the end of 2nd year – Rs.12,000  Cash flow at the end of 3rd year – Rs.13,000  Cash flow at the end of 4th year – Rs.14,000  Cash flow at the end of 5th year – Rs.15,000   1. Raj has ₹10 lakh to invest and is exploring options and is skeptical about the types of bonds. You as an expert, explain the types of bonds to Mr. Raj. | **15 Marks** | **Apply** | **CO2** |
| **18** | PQR Ltd. Has equity share capital of Rs.5,00,000 in shares of Rs.100 each. It wishes to raise further Rs.3,00,000 for expansion cum modernization plans. The company plans the following financing schemes:  a) All equity shares.  b) Rs.1,00,000 equity shares and Rs.2,00,000 debt @ 10%p.a.  c) All debt @ 10% p.a.  d) Rs.1,00,000 in equity shares and Rs.2,00,000 preference share capital@ 8% dividend.  The co. has estimated EBIT @ Rs.1,50,000 & the corporate rate of tax is 50%.  Calculate EPS and Comment. | **15 Marks** | **Apply** | **CO3** |
| **19** | Essar Company Ltd is planning to invest in a project requiring a capital outlay of Rs. 4,00,000. Forecast of Annual income from the Project after depreciation but before taxes are as follows:   |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | | Year | 1 | 2 | 3 | 4 | 5 | | Income | 2,00,000 | 2,00,000 | 1,60,000 | 1,60,000 | 1,00,000 |   The company’s tax rate is 40% and charges 20% depreciation on original cost. You are required to ascertain:  a) PBP  b) NPV using 10% Discount factor. | **15 Marks** | **Apply** | **CO4** |