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 **PRESIDENCY UNIVERSITY**

  **Bengaluru**

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| **End - Term Examinations – January 2025** |
| **Date:** 03 /01/ 2025 **Time:** 09:30am – 12:30pm |

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| **School:** School of Management-UG | **Program:** BBB/BDM/BBE/BBF |
| **Course Code:** BBA2030 | **Course Name:** Financial Management |
| **Semester**: V | **Max Marks**: 100 | **Weightage**: 50% |

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| **CO - Levels** | **CO1** | **CO2** | **CO3** | **CO4** | **CO5** |
| **Marks** | **11** | **26** | **26** | **26** | **11** |

**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 Financial Management. | **2 Marks** | **Remember** | **CO1** |
| **2** | Name the major two objectives of financial management. | **2 Marks** | **Remember** | **CO1** |
| **3** | Recall the role of a treasurer in the organizational structure of finance. | **2 Marks** | **Remember** | **CO1** |
| **4** | What is capital budgeting? | **2 Marks** | **Remember** | **CO3** |
| **5** | Define IRR. | **2 Marks** | **Remember** | **CO4** |
| **6** | Write the formula of post payback period. | **2 Marks** | **Remember** | **CO4** |
| **7** | Which are the two main types of dividend policy? | **2 Marks** | **Remember** | **CO5** |
| **8** | What are scrip dividends? | **2 Marks** | **Remember** | **CO5** |
| **9** | Find out the present value of Rs.3000 received at the end of the year, if the discount rate is 9% p.a. | **2 Marks** | **Apply** | **CO2** |
| **10** | Compute Operating Leverage: Sales- 3,00,000, Fixed Cost- 1,00,000, Variable Cost- 1,00,000 | **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** | Casinova Solutions is a rapidly growing technology firm that specializes in software development and IT consulting. With an increase in client demands and project complexity, the company is considering restructuring its finance department to enhance efficiency and better support its expanding operations. Currently, the finance team consists of a few individuals handling various roles without a clear hierarchy. You as the founder of the company, create and explain to your employees an organizational structure of finance.  | **7 Marks** | **Understand** | **CO1** |
| **Or** |
| **b** | Marvel Organics 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 and its importance.  | **7 Marks** | **Understand** | **CO1** |

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| **12** | **a** | You are the financial controller of a tech company that has had a highly successful year. During the annual general meeting, the board discusses how to distribute profits to shareholders. Members propose declaring various forms of dividend. The CEO asks you to present the forms of dividends to their shareholders. In this regard, explain the forms of dividend. | **7 Marks** | **Understand** | **CO5** |
| **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** | Calculate the Future value of Rs.4000 which is invested for 4 years and the interest on it is compounded at 12% p.a Find out the compounded value for half yearly and quarterly**.** | **7 Marks** | **Apply** | **CO2** |
| **Or** |
| **b** | Mr.Kumar deposits Rs.6000 at the end of every year for 5 years and the deposit earns compound interest at 12% p.a. Determine how much money will he have at the end of five years under Future value of Annuity Method. | **7 Marks** | **Apply** | **CO2** |

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| **14** | **a** | The balance sheet of a company is as under:

|  |  |  |  |
| --- | --- | --- | --- |
| Liabilities | Amount | Assets | Amount |
| Equity Capital (RS.10) | 60,000 | Fixed Assets | 1,75,000 |
| 10% Debentures | 80,000 | Current Assets | 25,000 |
| Retained Earnings | 20,000 |  |  |
| Current Liabilities | 40,000 |  |  |
|  | 2,00,000 |  | 2,00,000 |

The company’s total asset turnover is 3 times, its FC is 1,00,000 and its VC is 40% of Sales, Tax rate is 40%. Calculate Operating Leverage, Financial Leverage and Combined Leverage. | **7 Marks** | **Apply** | **CO3** |
| **Or** |
| **b** | The Installed capacity of a factory is 2,800 units, the actual exploited capacity is 2,000 units, selling price per unit is Rs.10 and variable cost is Rs.6 per unit and Interest is 2,000 in all situations, Compute all the three leverages in each of the following situations:a) When fixed cost is Rs.2,000 b) When fixed cost is Rs.4,400 c) When fixed cost is Rs.6,000  | **7 Marks** | **Apply** | **CO3** |

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| **15** | **a** | The cost of a plant is Rs.2,00,000 and cash flows for the first three years are Rs. 20,000, Rs. 80,000 and Rs. 1,20,000. Express the payback period in terms of years and months.  | **7 Marks** | **Apply** | **CO4** |
| **Or** |
| **b** | A Company is requiring a machine which requires an investment of Rs.3,20,000. The net income before tax and depreciation is estimated as follows:

|  |  |
| --- | --- |
| Year | Amount |
| 1 | 1,60,000 |
| 2 | 60,000 |
| 3 | 1,08,000 |
| 4 | 1,12,000 |
| 5 | 96,000 |

 Depreciation is to be charged on straight line basis. The tax rate is 55%. Calculate ARR. | **7 Marks** | **Apply** | **CO4** |

**Part C**

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|  **Answer Any THREE Questions. (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 to the board of directors. | **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 an 8% discount rate. (10 marks)

Cash flow at the end of 1st year – Rs.2,000 Cash flow at the end of 2nd year – Rs.4,000 Cash flow at the end of 3rd year – Rs.6,000 Cash flow at the end of 4th year – Rs.8,000 Cash flow at the end of 5th year – Rs.10,0001. Explain the meaning of Annuity and its importance (5 marks)
 | **15 Marks** | **Apply** | **CO2** |
| **18** | A company has EBIT of Rs.4,80,000 and its capital structure consists of the following securities: Equity share capital (10 each) Rs.4,00,000 12% preference shares Rs.6,00,000 14.5% debentures Rs.10,00,000.The company is facing fluctuations in its sales & Tax rate is =35%.What would be the change in EPS %,a) If EBIT of the company increased by 25% and b) If EBIT of the company decreased by 25% | **15 Marks** | **Apply** | **CO3** |
| **19** | YES Company Ltd is planning to invest in a project requiring a capital outlay of Rs. 2,00,000. Forecast of Annual income from the Project after depreciation but before taxes are as follows:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Year | 1 | 2 | 3 | 4 | 5 |
| Income | 1,00,000 | 1,00,000 | 80,000 | 80,000 | 50,000 |

The company’s tax rate is 40% and charges 20% depreciation on original cost. You are required to ascertain: a) PBP b) NPV using 15% Discount factor. | **15 Marks** | **Apply** | **CO4** |