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 **PRESIDENCY UNIVERSITY**

  **Bengaluru**

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| **End - Term Examinations – January 2025** |
| **Date:** 04- 01- 2025 **Time:** 1:00 pm – 04:00 pm |

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| --- | --- |
| **School:** SOL | **Program:** BA LL.B |
| **Course Code :** BBL2001 | **Course Name :** Financial Management |
| **Semester**: III | **Max Marks**: 100 | **Weightage**: 50% |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **CO – Levels** | **CO1** | **CO2** | **CO3** | **CO4** | **CO5** |
| **Marks** | **14** | **24** | **14** | **34** | **14** |

**Instructions:**

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

**Part A**

|  |
| --- |
| **Answer ALL the Questions. Each question carries 2marks. 10Q x 2M=20M** |
| **1** | State any two aims of the Finance Function. | **2 Marks** | **Remember** | **CO1** |
| **2** | What are the main functions of Financial Management? | **2 Marks** | **Remember** | **CO1** |
| **3** | Define Annuity? Give an example. | **2 Marks** | **Remember** | **CO2** |
| **4** | What is meant by an Uneven Cash Flow? | **2 Marks** | **Remember** | **CO2** |
| **5** | State the relationship between EBIT and EPS. | **2 Marks** | **Remember** | **CO3** |
| **6** | Mention two types of Leverages. | **2 Marks** | **Remember** | **CO3** |
| **7** | Define Capital Budgeting. | **2 Marks** | **Remember** | **CO4** |
| **8** | Name any two techniques of evaluating Capital Budgeting decisions. | **2 Marks** | **Remember** | **CO4** |
| **9** | Define Dividend Decisions. | **2 Marks** | **Remember** | **CO5** |
| **10** | What are the objectives of Dividend Decisions? | **2 Marks** | **Remember** | **CO5** |

**Part B**

|  |
| --- |
| **Answer the Questions Total 80 Marks** |
| **11.** | **a.** | Discuss financial management and state its importance in organization.  | **10****Marks** | **Understand** | **CO1** |
| **or** |
| **12.** | **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 . | **10****Marks** | **Understand** | **CO2** |
|  |  |  |  |  |  |
| **13.** | **a.** | Discuss the term Leverage and all the types of leverages with formula. | **10****Marks** | **Understand** | **CO3** |
| **or** |
| **14.** | **a.** | Determine the 3 types of leverages from the following information. Selling price per unit Rs.8 Variable cost per unit Rs.5 Fixed cost Rs.1,20,000 10% debt capital Rs.3,00,000 Number of units sold 90,000. | **10****Marks** | **Understand** | **CO3** |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **15.** | **a.** | 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. Write the interpretation of the answer. | **10****Marks** | **Understand** | **CO4** |
| **Or** |
| **16.** | **a.** | Evershine company is considering the purchase of machinery. Two machinery, X and Y each costing Rs.5,00,000 are available. Cash inflows are expected to be as under:Calculate PBP

|  |  |  |
| --- | --- | --- |
| Years  | Machine X | Machine Y |
| 2001 | 1,50,000 | 50,000 |
| 2002 | 2,00,000 | 1,50,000 |
| 2003 | 2,50,000 | 2,00,000 |
| 2004 | 1,50,000 | 3,00,000 |
| 2005 | 1,00,000 | 2,00,000 |

 | **10****Marks** | **Understand** | **CO4** |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **17.** | **a.** | Explain the different types of dividend policies**.** | **15****Marks** | **Understand** | **CO5** |
| **Or** |
| **18.** | **a.** | Calculate the future value at the end of five years of the followings series of payment at 8.5%, 9%, 9.5% rate of interest:R1 = Rs 2000 at the end of the first yearR2 = Rs 4000 at the end of the second yearR3 = Rs 6000 at the end of the third yearR4 = Rs 8000 at the end of the fourth yearR5 = Rs 10000 at the end of the fifth year. | **15****Marks** | **Understand** | **CO2** |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **19.** | **a.** | Discuss Principles of a Sound Financial Planning with illustration. | **15****Marks** | **Understand** | **CO1** |
| **Or** |
| **20.** | **a.** | Discuss the concept of Dividend Decisions. (5 Marks)Explain how they impact a company’s financial performance. (10 Marks) | **15****Marks****(5+10)** | **Understand** | **CO5** |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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| **21.** | **a.** | A firm can make investment in either of the following two projects. The firm anticipates its cost of capital to be 10% and the net (after tax) cash flows of the projects for five years are as follows:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Year**  | **0** | **1** | **2** | **3** | **4** | **5** |
| Project A  | (500) | 85 | 200 | 240 | 220 | 70 |
| Project B | (500) | 480 | 100 | 70 | 30 | 20 |
| Year  | 0 | 1 | 2 | 3 | 4 | 5 |
| PVF (10%) | 1 | 0.90 | 0.83 | 0.75 | 0.68 | 0.62 |
| PVF (20%) | 1 | 0.83 | 0.69 | 0.58 | 0.48 | 0.41 |

* + - 1. Calculate the NPV and IRR of each project.
			2. State the reason which project would you recommend
			3. Explain the inconsistency in ranking of two projects.
 | **20****Marks** | **Apply** | **CO4** |
| **Or** |
| **22.** | **a.** | A Company is considering an investment proposal to purchase a machinery costing Rs 2,50,000. The machine has a life expectancy of 5 years and no salvage value. The company’s tax rate is 40%. The firm uses SLM method for providing depreciation. The estimated cash flows before tax after depreciation (CFBT) from the machine are as follows:

|  |  |
| --- | --- |
| Year | CFBT (Rs) |
| 1 | 60,000 |
| 2 | 70,000 |
| 3 | 90,000 |
| 4 | 1,00,000 |
| 5 | 1,50,000 |

Calculate:* + - 1. Pay back period
			2. Average Rate of Return
			3. Net Present Value and Profitability Index at 10% discount rate.
			4. State the interpretation of the payback period and average rate of return.
 | **20****Marks** | **Understand** | **CO4** |

**\*\*\*\*\* BEST WISHES \*\*\*\*\***