

Roll No



**PRESIDENCY UNIVERSITY  
BENGALURU**

**SET A**

**SCHOOL OF MANAGEMENT  
END TERM EXAMINATION - JAN 2024**

**Semester :** Semester III - 2022  
**Course Code :** BBA2030  
**Course Name :** Financial Management  
**Program :** BBA

**Date :** 05-JAN-2024  
**Time :** 1:00 PM - 4:00 PM  
**Max Marks :** 100  
**Weightage :** 50%

**Instructions:**

- (i) Read all questions carefully and answer accordingly.
- (ii) Question paper consists of 3 parts.
- (iii) Scientific and non-programmable calculator are permitted.
- (iv) Do not write any information on the question paper other than Roll Number.

**PART A**

**ANSWER ALL THE QUESTIONS**

**5 X 2M = 10M**

1. Define wealth maximization. (CO1) [Knowledge]
2. Define optimum capital structure. (CO2) [Knowledge]
3. Write the formula for calculating profitability index. (CO3) [Knowledge]
4. State the requirement of scrip dividends. (CO4) [Knowledge]
5. Recall the importance of receivables management. (CO4) [Knowledge]

**PART B**

**ANSWER ALL THE QUESTIONS**

**5 X 10M = 50M**

6. Sarah is the owner of a small manufacturing business that experiences seasonal fluctuations in demand for its products. During peak seasons, the company requires additional funds to ramp up production, while in slower periods, it needs to manage its working capital efficiently to cover operating costs. Sarah is exploring different types of working capital to ensure her business remains financially resilient throughout the year. In this scenario, Discuss the types of working capital. (CO1) [Comprehension]
7. Calculate the future value of Rs.7000 invested for 5 years at a rate of interest of 15% compounded half yearly. According to Compound table , compound value factor for Re.1 in 5 years at rate 15%. (CO2) [Comprehension]

8. 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

(CO3) [Comprehension]

9. Mount Sherk company is considering the purchase of machinery 'X' and 'Y' each costing Rs.5,00,000.

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

(CO4) [Comprehension]

10. 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.

Discount factor to be taken at 10%.

Calculate NPV.

(CO4) [Comprehension]

### PART C

#### ANSWER ALL THE QUESTIONS

2 X 20M = 40M

11. a) Riverdale Boutique, a small fashion store, has recently faced a decline in sales due to changing consumer preferences and increased competition. The owner, Maria, is concerned about the store's financial stability and recognizes the need for a comprehensive financial plan to revitalize the business. In this context, Explain the need for financial planning for a business organization. (10M)
- b) Mr. Manoj, An Investor deposits Rs.10,000 at the end of each year for 5 years at the rate 8% per annum, interest compounded half yearly. Find out the present value of an annuity. (10M)

(CO1) [Application]

12. The existing capital structure of Vivek Ltd. is as follows:

Equity shares of Rs.100 each	Rs.40,00,000
Retained earnings	Rs.10,00,000
9% preference shares	Rs.25,00,000
7% debentures	Rs.25,00,000

The company earns 12% on its capital. The income tax rate is 50%.

Company wants to raise Rs.25,00,000 for its expansion project for which it is considering following alternatives:

1. Issue of 20,000 equity shares at a premium of Rs.25 per share
2. Issue of 10% preference shares
3. Issue of 9% debentures.

Projected that the price/earning ratio in the case of equity, preference and debentures financing would be 20, 17, 16 respectively.

Calculate EPS and the Market price.

(CO3) [Application]