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**Presidency University**

**Bengaluru**

**SCHOOL OF COMMERCE**

**Make-Up Examinations, July 2024**

**Semester**: III & V

**Course Code**: BBA2030

**Course Name**: Financial Management

**Program:** B.com & BBA

**Date**:11 / July / 2024

**Time**: 9:30 AM-12:30 PM

**Max Marks**: 100

**Weightage**: 50%

**Instructions:**

1. *Read the all questions carefully and answer accordingly.*
2. *Question paper consists of three parts.*
3. *Scientific and Non Programable Calculators are Permitted.*
4. *Do not write any information on the question paper other than roll number.*

**Part A**

**Answer any FIVE Questions. (5 Q x 2 M = 10 M)**

1. Describe the various sources of working capital. (C.O.5) [Understand]

2. List out the various methods of capital budgeting (C.O.4) [Understand]

3. Project cost is Rs. 30,000 and the cash inflows are Rs. 10,000, the life of the project is 5 years. Calculate the pay-back period. (C.O.4) [Understand]

4. Compute the Operating leverage 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 (C.O.3) [Understand]

5. Find out the value of a sum of Rs.2000 after a year with a time Preference of 12%

(C.O.2) [Understand]

6. Find out the present value of Rs.3000 received at the end of the year, if the discount rate is 9% p.a. (C.O.2) [Understand]

7. Define financial Management. (C.O.1) [Understand]

**Part B**

**Answer any FIVE Questions. (5 Q x 10 M = 50 M)**

8. Planning is an Important step for every project. So as finance is very important factor for organization to. It is very important to do a proper planning for finance. In this case there are various factors to be considered while doing the financial planning. Explain the various factors affecting the financial planning. (C.O.1) [Understand]

9. Calculate the present value of Rs. 30,000/- receivable after 4 years at the discount rate of 12%. Calculate Annually, Semi-annually and Quarterly. (C.O.2) [Understand]

10. A company has EBIT of Rs.4,80,000 and its capital structure consists of the following securities.  
•Equity share capital (10each) 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. What would be the change in EPS%. Tax rate is 35%  
  a)If EBIT of the company increased by 25% and  
 b)If EBIT of the company decreased by25% (C.O.3) [Understand]

11. Ever shine 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 |

(C.O.4) [Understand]

12. The correct and proper amount of fund is necessary for all business for its smooth running. Having adequate working capital also is very necessary for the smooth running of business. There are various advantages and challenges of having of adequate working capital. Prepare a note on advantages and disadvantages of adequate working capital. (C.O.5) [Understand]

13. Calculate the ARR from the following details

|  |  |  |
| --- | --- | --- |
| Particulars | Machine X | Machine Y |
| Original Cost | 10 Lakhs | 10 Lakhs |
|  |  |  |
| Additional working capital | 5,00,000 | 5,00,000 |
| Life | 4 yrs | 6 yrs |
| Salvage value | 10% | 10% |
| Tax rate | 50% | 50% |
| Income before Tax & Depn: |  |  |
| 1st year | 8,00,000 | 15,00,000 |
| 2nd year | 8,00,000 | 9,00,000 |
| 3rd year | 8,00,000 | 15,00,000 |
| 4th year | 8,00,000 | 8,00,000 |
| 5th year | - | 6,00,000 |
| 6th Year | - | 3,00,000 |

Depreciation has to be charged on Fixed instalment method. (C.O.4) [Understand]

14. Capital is very essential for the life running of a business. There is one aspect in financial management as working capital. Explain the meaning of working capital and the various types of working capital. (C.O.5) [Understand]

**Part C**

**Answer any TWO Questions. (2 Q x 20 M = 40 M)**

15. A firms cost of capital is 10%. It is considering two mutually exclusive projects X and Y. The details are given below

|  |  |  |
| --- | --- | --- |
| Cash flow | Project X | Project Y |
| 0 | 1,40,000 | 1,40,000 |
| 1 | 20.000 | 1,20,000 |
| 2 | 40,000 | 80,000 |
| 3 | 60,000 | 40,000 |
| 4 | 90,000 | 20,000 |
| 5 | 1,20,000 | 20,000 |

Compute :  
a) Pay-back Period  
b) Net Present value  
C) Profitability Index (C.O.4) [Apply]

16. •Company A is having an existing capital structure Rs.5 lakhs of equity shares. The firm now wishes to raise additional capital of Rs.20 lakhs for expansion. The firm has four alternatives financial plans:  
a)It can raise the entire amount in the form of equity shares.  
b)It can raise 60% as equity capital and 40% of 8% debentures.  
c)It can raise the entire amount as 10%debentures  
d)It can raise 40% as equity capital and 60% as 10% preference shares.  
The existing EBIT is Rs.2,20,000, tax rate is 25%. Outstanding ordinary shares 5,000 and which is the market plan should the firm select. (C.O.3) [Apply]

17. The basic objective of financial management is maximization of shareholder’s wealth. Paying proper dividend is one of the major factor of this maximization of wealth. Taking proper dividend policy is a great challenge for the finance manager as there are several factor which are affecting the dividend decision. Prepare a note on types of dividend policy and factors affecting the dividend decision. (C.O.4) [Apply]