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**Presidency University**

**Bengaluru**

**SCHOOL OF COMMERCE**

**Summer Term Examinations, August- 2024**

**Semester**: Summer term

**Course Code**: BBA2030

**Course Name**: Financial Management

**Program & Sem**: III semester B.com & BBA

**Date**: 8 / 07 / 2024

**Time**: 1:00 PM-4:00 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. State the meaning of working capital. (C.O.5) [Knowledge]

2. List out any two methods of capital budgeting. (C.O.4) [Knowledge]

3. Project cost is Rs. 40,000 and the cash inflows are Rs. 20,000, the life of the project is 5 years.

Calculate the pay-back period. (C.O.4) [Knowledge]

4. Compute the Operating leverage from the following information.  
 Selling price per unit Rs.10  
 Variable cost per unit Rs.6  
 Fixed cost Rs.1,30,000  
 10% debt capital Rs.4,00,000  
 Number of units sold 90,000 (C.O.3) [Knowledge]

5. Find out the value of a sum of Rs.3000 after a year with a time Preference of 12%.

(C.O.2) [Knowledge]

6. Find out the present value of Rs.4000 received at the end of the year, if the discount rate is 9% p.a. (C.O.2) [Knowledge]

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

**Part B**

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

8. Planning is an essential step for every project, and finance is a crucial factor for any

organization. Proper financial planning is vital, and several factors must be considered

in this process. Explain the various factors that affect financial planning.

(C.O.1) [Comprehension]

9. Calculate the present value of Rs. 40,000/- receivable after 4 years at the discount rate of 12%. calculate Annually, Semi-annually and Quarterly.

(C.O.2) [Comprehension]

10. A company has EBIT of Rs.5,80,000 and its capital structure consists of the following securities.  
 Equity share capital (10each) Rs.5,00,000  
 10% preference shares Rs.7,00,000  
 12% debentures Rs.12,00,000  
  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) [Comprehension]

11. Sun shine company is considering the purchase of machinery. Two machinery,

X and Y each costing Rs.6,00,000 are available. Cash inflows are expected to be as under:  
 Calculate PBP

|  |  |  |
| --- | --- | --- |
| Years | Machine X | Machine Y |
| 2001 | 1,70,000 | 60,000 |
| 2002 | 2,10,000 | 1,60,000 |
| 2003 | 2,60,000 | 2,20,000 |
| 2004 | 1,80,000 | 3,10,000 |
| 2005 | 1,20,000 | 2,20,000 |

(C.O.4) [Comprehension]

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 a merits and demerits of adequate working capital. (C.O.5) [Comprehension]

Q.13 Compare two companies of its Financial Leverages, Operating Leverages and Combined Leverage.

|  |  |  |
| --- | --- | --- |
| Details | Firm X | Firm Y |
| Sales | ₹ 40,00.000 | 50,00,000 |
| Variable cost | 35% of sales | 30% of sales |
| Fixed cost | 6,00,000 | 8,00,000 |
| Interest | 1,20,000 | 1,25,000 |

(C.O.4) [Comprehension]

Q14. 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) [Comprehension]

**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 | 1,50,000 | 1,50,000 |
| 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.O.4) [Apply]

16. A company has EBIT of Rs.5,00,000 and its capital structure consists of the following securities.

Equity share capital (10 each) Rs.4,00,000

10% preference shares Rs.6,00,000

15% debentures Rs.10,00,000

The company is facing fluctuations in its sales. What would be the change in EPS . Tax rate is 35%

1. If EBIT of the company increased by 25% and

b) If EBIT of the company decreased by 25% (C.O.3) [Apply]

17. The primary objective of financial management is to maximize shareholder wealth.

Paying appropriate dividends is a key factor in achieving this goal. Establishing a sound dividend policy is a significant challenge for the finance manager due to the various factors influencing dividend decisions.

Prepare a note on the types of dividend policies and the factors affecting dividend decisions.

(C.O.4) [Apply]