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Total No. of Questions : 7 ]

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# UGP-306

## B.B.A. (Part-II) Examination, 2021

Paper - BBA-203

### (FINANCIAL MANAGEMENT)

Time : 1½ Hours ]

[ Maximum Marks : 70

#### Section-A

(Marks : 2 × 10 = 20)

**Note :-** All the *ten* questions are compulsory. Each question is to be attempted in **50** words. Each question carries **2** marks.

#### Section-B

(Marks : 10 × 3 = 30)

**Note :-** Attempt any *three* questions. Each question is to be attempted in **500** words. Each question carries **10** marks.

#### Section-C

(Marks : 20 × 1 = 20)

**Note :-** *One* question based on case study is compulsory and carries **20** marks.

#### Section-A

1. (i) What do you mean by Financial Management ?
- (ii) What do you know about NPV ?
- (iii) What do you understand by the term cost of retained earning ?
- (iv) What is money market ?

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- (v) Give formula of Walter Model of Dividend.
- (vi) What is the meaning of Dividend Policy ?
- (vii) What is the aggressive policy of Working Capital Management ?
- (viii) What is Receivable Management ?
- (ix) What is 'acid test ration' ?
- (x) What do you mean by 'angle of incidence' in Break Even Analysis ?

**Section-B**

2. "The operative objective of financial management is to maximise wealth or net present value." Explain this statement and examine the finance function performed by CFO to achieve this goal.
3. A company is considering which of two mutually exclusive projects it should undertake. The Finance Director thinks that the project with the higher NPV should be chosen whereas the Managing Director thinks that the one with the higher IRR should be undertaken especially as both projects have the same initial outlay and length of life. The company anticipates a cost of capital of 10% and the net after tax cash flows of the projects are as follow :

<b>Year</b>	0	1	2	3	4	5
<b>Cash Flows</b>						
<b>Project X</b>	(200)	35	80	90	75	20
<b>Project Y</b>	(200)	218	10	10	4	3

Required :

- (a) Calculate the NPV and IRR of each project.
- (b) State, with reasons, which project you would recommend.
- (c) Explain the inconsistency in the ranking of the two projects.

The discount factor as follows :

Year	0	1	2	3	4	5
Discount factor : (10%)	1	0.91	0.83	0.75	0.68	0.62
(20%)	1	0.83	0.69	0.58	0.48	0.41

4. What do you understand by the term of 'Inventory Management' ? Discuss the benefits and costs of holding inventories.
5. Define Weighted Average Cost of Capital ? How will you determine it ? Discuss its merits and limitations.
6. The following information is available in respect of the rate of return on investment (r), cost of capital (k) and earning per share (E) of RVS Ltd.

Rate of return of Investment (r) = (i) 15% (ii) 12%; and (iii) 10%

Cost of Capital (k) = 12%

Earning per Share (E) = Rs.10

Determine the value of its share using Gordon's Model for different payment ration of 100%, 80% and 40%.

### Section-C

7. The Balance Sheet of National Company as on 31st December 2019 and 31st December 2020 are as follows :

Liabilities	2020	2019	Assets	2020	2019
Share Capital	7,00,000	5,00,000	Land and Building	1,20,000	80,000
Profit and Loss	1,60,000	1,00,000	Plant and Machinery	8,00,000	5,00,000
General Reserve	70,000	50,000	Stock	75,000	1,00,000
Sundry Creditors	1,90,000	1,53,000	Debtors	1,60,000	1,50,000
Bills Payable	50,000	40,000	Cash	20,000	20,000
Expenses Outstanding	5,000	7,000			
	<b>11,75,000</b>	<b>8,50,000</b>		<b>11,75,000</b>	<b>8,50,000</b>

Additional Information :

- (i) ₹ 50,000 depreciation has been charged on Plant and Machinery during 2020.
- (ii) A piece of Machinery was sold for ₹ 8,000 during the year 2020. It had cost ₹ 12,000; depreciation of ₹ 7,000 had been provided on it.

Prepare a Schedule of changes in Working Capital and a Statement showing the Sources and Application of funds for 2020