

Roll No. : .....

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# **E-292**

## **B.B.A. (Part-II) Examination, 2023**

### **FINANCIAL MANAGEMENT**

#### **(Gr.-FM)**

Paper - BBA-203

*Time : 3 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 :-* Attempts 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 are the objectives of Financial management ?
- (ii) What is the meaning of Pay-back period ?
- (iii) What do you know by money market ?
- (iv) What is Capitalisation ?
- (v) What do you know about stable dividend ?

- (vi) What do you understand by the term 'retained earning' ?
- (vii) What are the motives of holding cash ?
- (viii) What is the meaning of Inventory Management ?
- (ix) What do know about 'acid test ratio' ?
- (x) What do you mean by fund flow analysis ?

**Section-B**

- 2. What is the role of financial management ? What is the relationship of finance function with other functions ?
- 3. What is Optimal Capital Structure ? What factors should be born in mind in devising a capital structure ? Explain.
- 4. What do you know about dividend policy ? What are the methods of dividend payment ?
- 5. What do you understand by 'net concept of working capital' ? What are the determinants of working capital ?
- 6. What is cash flow analysis ? What are the advantages of cash flow statement ?

**Section-C**

- 7. 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 :

Year	0	1	2	3	4	5
Cash Flows :						
Project X	(200)	35	80	90	75	20
Project Y	(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	Discount Factor	
	(10%)	(20%)
0	1	1
1	0.91	0.83
2	0.83	0.69
3	0.75	0.58
4	0.68	0.48
5	0.62	0.41