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Total No. of Questions : 7 ]

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# **BB-293**

## **BBA (Part-II) Examination, 2022 FINANCIAL MANAGEMENT**

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 around **50** words. Each question carries **2** marks.

### **Section-B**

**(Marks : 10 × 3 = 30)**

*Note :-* Answer any *three* questions out of five. Each question is to be attempted in around **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) Define Financial Management.
- (ii) What is weighted Cost of Capital ?
- (iii) What are the types of Dividend ?
- (iv) Define Cash Budget.
- (v) Name the various kinds of Working Capital.
- (vi) What is Minimum Stock Level ?

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- (vii) What is ARR method of Capital Budgeting ?
- (viii) Give *two* limitations of Financial Management.
- (ix) Give *two* formulas of Walter's Model.
- (x) Define Working Capital.

### Section-B

2. How is Wealth Maximisation better objective than Maximisation of Profit ?
3. The following information is available in respect of XYZ Ltd :
 

EPS	₹ 10
Rate of Return	20%
Required rate of return of equity investment ( $K_e$ )	16%

Find out the market price of the share under Gordon Model if the company follows a pay out ratio of 50% or 25%.
4. What factors determine the needs of working capital ? Explain.
5. A Company issues 1,000 debentures (10%) of ₹ 100 each at 10% premium, redeemable at par after 5 years. The Company's tax rate is 50%. Determine the cost of debt before tax and after tax.
6. Explain the meaning of inventory control and explain its different techniques.

### Section-C

7. X & Co. Ltd. is considering two mutually exclusive projects. The following are information for the same :
 

Initial Investment	₹ 20,000
Life of the Project	5 years
Rate of Return	10%
Tax	50%

The net cash flows before tax and depreciation are :

<b>Year</b>	1	2	3	4	5
<b>Project A (₹)</b>	8,000	8,000	8,000	8,000	8,000
<b>Project B (₹)</b>	10,000	8,000	4,000	10,000	10,000

The Project will be depreciated on straight line method.

You are required to calculate :

- (i) The payback period of each project.
- (ii) The average rate of return for each project.
- (iii) The Net Present Value and profitability index for each project.

Which project should be accepted and why ?