

Roll No. :

Total No. of Questions : 7]

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B.B.A. Part-III Due of Part-II (Supplementary) Examination, 2022

FINANCIAL MANAGEMENT

Paper - BBA-203

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 out of five. 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) Define Investment.
- (iii) Define Capital Budgeting.
- (iv) What do you mean by Internal Rate of Return ?
- (v) Define Cost of Capital.

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- (vi) Describe the concept of capital structure.
- (vii) What is the meaning of Dividend Policy ?
- (viii) What do you know about Break-Even Point ?
- (ix) What does a current ratio of 1.5 means ?
- (x) Define Equity Share.

Section-B

2. “Financial management is the area of business management devoted to judicious use of capital and careful selection of sources of capital in order to enable a spending unit to move in the direction of reaching its goals.” Examine this statement and discuss the scope of financial management.
3. Define weighted average cost of capital. How will you determine it ? Discuss its merits and limitation.
4. From the following statement, calculate :
 - (i) Current Ratio
 - (ii) Quick Ratio
 - (iii) Debt-Equity Ratio
 - (iv) Proprietary Ratio
 - (v) Solvency Ratio

Condensed Balance Sheet

as on 31st March, 2022

Liabilities	₹	Assets	₹
Share Capital	1,00,000	Fixed Assets (Net)	2,70,000
Reserves and Surplus	50,000	Cash at Bank	20,000
Debentures	2,00,000	Stock	80,000
Creditors	30,000	Debtors	30,000
Bills payable	20,000		
	4,00,000		4,00,000

5. What considerations would you keep in mind while drafting a financial plan for an industrial concern ? What are the limitations of 'Financial Planning' ?
6. From the following budgeted figures, prepare a cash budget for three months ending 30th June :

Months	Sales	Materials	Wages	Overheads
January	60,000	40,000	11,000	6,200
February	56,000	48,000	11,600	6,600
March	64,000	50,000	12,000	6,800
April	80,000	56,000	12,400	7,200
May	84,000	62,000	13,000	8,600
June	76,000	50,000	14,000	8,000

Expected Cash Balance on 1st April ₹ 20,000.

Other Informations :

- (i) Materials and Overheads are to be paid during the month following the month of supply.
- (ii) Wages are to be paid during the month in which they are incurred.
- (iii) Terms of sales—the terms of credit sales are payment by the end of the month following the month of sales; $\frac{1}{2}$ of the sales are paid when due, the other half to be paid during the next month. 5% sales commissions to be paid within the month following actual sales.
- (iv) Preference dividend ₹ 30,000 is to be paid on 1st May.
- (v) Share call money for ₹ 25,0000 is due on 1st April and 1st June.
- (vi) Plant worth ₹ 10,000 is to be installed in the month of January and the payment is to be made in the month of June.

Section–C

7. The following is a summary of financial data in respect of five investment proposals :

Proposal	Initial Outlay	Net Annual Cash Flow	Life (in Years)
A	60,000	18,000	15
B	88,000	15,000	25
C	2,000	1,000	5
D	20,000	3,000	10
E	42,000	15,000	20

Rank these proposals according to :

- (i) Pay-back period method
- (ii) Average rate of return method
- (iii) Net present value method
- (iv) Present value index method

The cost of capital being 6%.