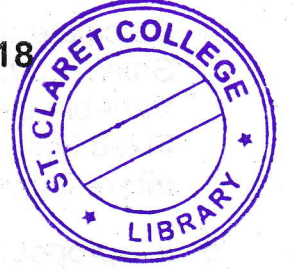


SM – 548



**31**  
IV Semester B.B.M. Examination, May/June 2018  
(2013-14 and Onwards) (Repeaters)  
**Business Management**  
**Paper – 4.4 : FINANCIAL MANAGEMENT**

Time : 3 Hours

Max. Marks : 100

**Instruction :** Answers should be written only in **English**.

SECTION – A

1. Answer **any eight** sub-questions. **Each** question carries **2** marks. **(8×2=16)**
- What is business finance ?
  - Mention any two finance functions.
  - Write the meaning of time value of money.
  - What is future value ?
  - List two demerits of payback period method of capital budgeting.
  - What is profitability index ?
  - State two factors influencing dividend decision.
  - Mention the components of current assets.
  - State any two forms of dividend.
  - Calculate payback period if annual cash flow is Rs. 40,000, cost of investment is Rs. 1,00,000.

SECTION – B

Answer **any three** questions. **Each** question carries **8** marks. **(3×8=24)**

- Briefly explain the process involved in capital budgeting.
- Calculate the average rate of return for a project which requires an initial outlay of Rs. 20,000 and generates year ending profit after depreciation and tax of Rs. 12,000, Rs. 6,000, Rs. 5,000, Rs. 5,000 and Rs. 3,000 from the end of first years to the end of fifth year.

P.T.O.



4. Calculate all the leverages from the following data :  
 Sales 2,00,000 units Rs. 50 per unit  
 Variable cost per unit Rs. 18  
 Fixed cost Rs. 25,00,000  
 Interest charges Rs. 2,00,000
5. It is proposed to start a business requiring a capital of Rs. 10 lakhs and expected return is 15%. Calculate EPS if it is financed by way of 40% equity and 60% debt (10% interest).

### SECTION – C

Answer question no. **10 compulsory** and **any three** of the remaining questions.

**Each** question carries **15** marks.

**(4×15=60)**

6. What is financial planning ? Explain the steps involved in financial planning.
7. What are various types of working capital ? Explain.
8. Explain the types and forms of dividend.
9. A firm's cost of capital is 10%. It is considering two mutually exclusive projects X and Y. The details are given below :

	Year	Project X	Project Y
Investment		90,000	90,000
Net cash flow	1	10,000	60,000
	2	30,000	40,000
	3	30,000	20,000
	4	45,000	20,000
	5	60,000	10,000

Compute payback period.

10. ABC Ltd. is expecting the EBIT of Rs. 1,50,000 per annum on an investment Rs. 5,00,000. The company has access to raise funds of varying amounts by issuing equity share capital, 12% preference share and 10% debenture or any combination thereof. The company has the following options to raise the required funds of Rs. 5,00,000.

- 1) By issuing equity share capital at par.
- 2) 50% funds by equity share capital and 50% funds by preference shares.
- 3) 50% funds by equity share capital and 50% funds by debentures.

Assuming that ABC Ltd. belongs to 50% tax bracket, calculate EPS under the above three options.