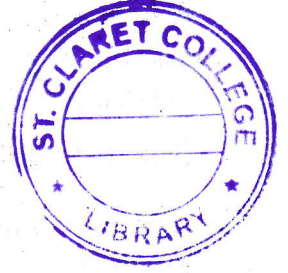




US – 558

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IV Semester B.B.M. Examination, May 2017
(Repeaters) (2013-14 and Onwards)
BUSINESS MANAGEMENT
Paper – 4.4 : Financial Management



Time : 3 Hours

Max. Marks : 100

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

SECTION – A

1. Answer **any eight** sub-questions. **Each** sub-question carries **2** marks. **(2×8=16)**
- What is scrip dividend ?
 - What is future value ?
 - What is profit maximisation ?
 - What is trading on equity ?
 - What is payback period ?
 - What is operating cycle ?
 - What is point of difference ?
 - What is financial plan ?
 - What do you mean by EOQ ?
 - A company has irredeemable preference share of Rs. 2,000. He receives an annual dividend of Rs. 80 annually. What will be its value if the required rate of return is 10% ?

SECTION – B

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

- Briefly explain the factors determining capital structure.
- Findout the present value of annuity receipt of Rs. 8,000 received for 5 years at the rate of 10% discount rate.

P.T.O.



4. A firm has a sales of Rs. 1,00,000, variable cost of Rs. 40,000 and fixed cost Rs. 20,000. A company has a debt of Rs. 1,00,000 @ 10% and equity share capital of Rs. 2,00,000 as its capital structure.

Calculate operating, financial and combined leverage.

5. A company plans to purchase a machine requiring an investment of Rs. 2,00,000. The net income before tax and depreciation is estimated as follows :

Year	Rs.
1	60,000
2	48,000
3	40,000
4	72,000
5	68,000

Depreciation is to be charged on straight line basis. Tax rate 50%. Calculate ARR.

SECTION – C

Answer question no. **10** and **any three** of the remaining questions. **Each** question carries **15** marks. **(4×15=60)**

6. Explain the factors influencing the dividend policy.
7. What is permanent and variable working capital ? Explain the dangers of excessive working capital and also inadequate working capital.
8. Explain the capital budgeting process.
9. The following details of XYZ Co. are available :
Existing equity capital 10,000 shares of Rs. 10 each, proposal to raise Rs. 1,00,000 with following alternatives.
 - a) Debt at 10% p.a.
 - b) Equity capital at Rs. 10 per share.
 - c) Preference shares of Rs. 10 each at 12% dividend.

The company's EBIT is Rs. 80,000, corporate tax rate is 50%. Determine the EPS in each alternative and comment which alternative is best.



10. A firm whose cost of capital is 10% is considering two mutual exclusive projects X and Y. The details of which are :

	Year	Project X	Project Y
Investment		70,000	70,000
Cash flows			
(Net profit after tax before depreciation)	I	10,000	20,000
	II	20,000	40,000
	III	30,000	60,000
	IV	45,000	10,000
	V	60,000	10,000
		1,65,000	1,40,000

Compute the payback period and net present value and suggest which project is to be considered for investment.

PV factor at 10% PA for 1-5 years are 0.909, 0.826, 0.751, 0.683 and 0.621.
