

U.G. 5th Semester Examination - 2020**BBA****Course Code : BBBACCHT501****Course Title : Financial Management**

Full Marks : 40

Time : 2 Hours

*The figures in the right-hand margin indicate marks.**Candidates are required to give their answers in their own words as far as practicable.*

1. Answer any **ten** questions of the following:
1×10=10
- What is cost of capital?
 - What is capital budgeting?
 - What is NPV?
 - What is seasonal working capital?
 - What is implicit cost of capital?
 - Give two examples of current liabilities.
 - State two role of financial manager.
 - What is pay-back period?
 - What is time value of money?
 - State two short term sources of finance.
 - What is the traditional goal of a firm?
 - What do you mean by Venture Capital Financing?

- What does negative working capital imply?
 - What is trading on equity?
 - What is the Degree of Operating leverage?
2. Answer any **five** of the following questions: 2×5=10
- What is ARR?
 - What is working capital cycle?
 - What is agency problem?
 - What is financial leverage?
 - What is partly convertible debenture?
 - What is ploughing back of profit?
 - What is meant by Factoring?
 - What do you mean by operating risk of a firm?
3. Answer any **two** of the following questions: 5×2=10
- Briefly explain the various uses and derivation of financial leverage. 5
 - The market value of equity and debt of a company are Rs.30,00,000 and Rs.40,00,000 respectively. The interest rate is 9% and cost of debt is 20%. Tax rate is 40%. Determine WACC. 5
 - The following information have been taken from the Income Statement of A Ltd.:
Fixed operating expenses Rs. 1,200

Fixed financial charges Rs. 600

Earnings before tax Rs. 400

Calculate percentage of change in EPS, if sales increase by 10%.

4. Answer any **one** of the following questions: $10 \times 1 = 10$

a) Prepare a columnar statement to determine the working capital requirement from the following information:-

- 1) Expected sales- 7800 units.
- 2) Analysis of selling price:-
 - Raw materials- 7 per unit
 - Labour- 5 per unit
 - Expenses- 4 per unit
 - Profit- 4 per unit
 - Selling price- 20 per unit
- 3) Raw materials in store- 4 weeks
- 4) Processing time- 2 weeks
- 5) Finished products in stores- 2 weeks
- 6) Credit allowed to debtors- 4 weeks
- 7) Credit allowed to creditors- 2 weeks
- 8) Lag in payment for wages and expenses- 2 weeks
- 9) Production is carried on every during the year and wages and expenses accrue in the same way

b) Discuss the profit maximization objective of a firm. Why is wealth maximization preferred over profit maximization as the goal of a firm?

5+5

c) From the particulars given below calculate the Internal Rate of Return of the project:

i) Net after-tax inflows over the four years of the project life:

	<u>Rs.</u>
End of year 1	5,000
2	8,000
3	10,000
4	4,000
ii) Initial outlay: Rs. 20,000. No realisable scrap value at the end of project life.	
iii) Present value of Re. 1 receivable at the end of year 1, 2, 3 and 4	
at 12%	.892 .797 .712 .636
13%	.885 .783 .693 .613
14%	.877 .770 .675 .592
15%	.867 .756 .658 .572
16%	.862 .743 .641 .552
