

**U.G. 5th Semester Examination - 2021****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

- a) What is meant by financial control?
- b) Which objective of financial management is superior?
- c) What is Perpetual Debenture?
- d) What is capital budgeting?
- e) What is NPV?
- f) What is meant by Participating Preference Share?
- g) What is cost of debt?
- h) Give two examples of current assets.
- i) What is explicit cost of capital?

- j) What is pay-back period?
- k) What is cut of rate in the context capital budgeting?
- l) What do you mean by working capital cycle?
- m) What does positive working capital imply?
- n) What is convertible security?
- o) What is internal rate of return?

2. Answer any **five** of the following questions:

2×5=10

- a) What are the functions of Financial Management?
- b) What is ARR?
- c) Mention the main causes for preferring time value of money.
- d) What is annuity?
- e) What do you mean by financial risk of a firm?
- f) What is agency problem?
- g) What is financial leverage?
- h) What is Business risk?

3. Answer any **two** of the following questions: 5×2=10

- a) The current market value of equity and debt of a company are Rs.50,00,000 and Rs.25,00,000

respectively. The interest rate is 9% and cost of equity is 18%. The tax rate is 40%.

Determine weighted average cost of capital (WACC).

- b) What is the rationale behind the use of weighted average cost of capital over specific cost of capital in evaluating a project?
- c) i) Mr. Dasgupta has been given an opportunity to receive Rs.6000 in one year from now. He knows that he can earn 6% interest on his investment. What will be present value?
- ii) Mr. Dasgupta deposit Rs.2000 today in bank for which he gets 10% interest compounded annually. How much his deposit will grow after 10 years?

$$2\frac{1}{2} + 2\frac{1}{2} = 5$$

4. Answer any **one** of the following questions: 10×1=10

- a) A company is considering an investment proposal to install a new milling machine. The project cost will be Rs.50,000. The facility has a life expectancy of five years and no salvage value. The company tax rate is 55% and no investment tax credit is allowed. The firm usage

straight line depreciation and cost of capital is 10%. Estimate cash flow before tax (EBDIT) from the proposed investment proposals are as follows:

Year:	1	2	3	4	5
EBDIT:	10000	11000	14000	15000	25000

Compute ARR, Cash Flow, Payback Period, NPV, Profitability Index.

- b) You are a management accountant of a newly formed manufacturing company. You are asked to prepare a Working capital requirement of a level of activity of 5200 units of output per year:

Elements	Amount per year
Raw material	Rs.8
Direct labour	Rs.2
Overhead	Rs.6
Profit	Rs.4

Additional Information:

- i) Raw materials in stock on an average 1 month
- ii) Raw materials in process on an average  $\frac{1}{2}$  month

- iii) Finished goods in stock on an average  
6 weeks
  - iv) Credit allowed to debtors 4 weeks
  - v) Credit allowed by creditors 4 weeks
  - vi) Lag in payment for wages  $1\frac{1}{2}$  weeks
  - vii) Cash in hand & bank is expected to be  
Rs.21,900
- c) Explain the role of chief financial manager in  
the modern business firm.
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