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Business Administration (BBA-MBA Integrated) (Semester – 3rd)

FINANCIAL MANAGEMENT

Subject Code BMBAS1-302

Paper ID: [20390115]

Time: 03 Hours

Maximum Marks: 60

Instruction for candidates:

1. Section A is compulsory. It consists of 10 parts of two marks each.
2. Section B consist of 5 questions of 5 marks each. The student has to attempt any 4 questions out of it.
3. Section C consist of 3 questions of 10 marks each. The student has to attempt any 2 questions.

Section – A

(2 marks each)

Q1. Attempt the following:

- a) Scope of financial management.
- b) Profitability index method.
- c) Capital rationing.
- d) Types of leverages.
- e) Cost of retained earnings.
- f) Long term Vs. Short term finance.
- g) Limitations of trading on equity.
- h) Management of working capital.
- i) Inventory management.
- j) Future Value & Present Value of Money.

Section – B

(5 marks each)

- Q2. Explain the NOI approach and MM approach of capital structure.
- Q3. Give a critical appraisal of theories of dividend policy of the company.
- Q4. Define investment decision making. Also, state its importance and nature.
- Q5. Elaborate the functions of Finance either in the form of investment, financing, liquidity, and dividend.
- Q6. Define weighted average cost of capital. State how you would determine the weighted average cost of capital of a firm taking suitable example.

Section – C

(10 marks each)

- Q7. What is financial management? Discuss the profit and wealth maximization objectives of financial management. Also state which one is superior and why?

Q8. The following figures relate to two companies:

Income statement	X Ltd.	Y Ltd.
Sales	500	1,000
(-) Variable costs	200	300
Contribution	300	700
(-) Fixed costs	150	400
	150	300
(-) Interest	50	100
Profit before tax	100	200

You are required to:

Calculate the Operating, financial & combined leverage for the two companies.

Comment on the relative risk position of them.

Q9. The following is the data regarding two companies namely 'A' and 'B' belonging to the same equivalent risk class:

Particulars	Company A	Company B
No. of ordinary shares	1,00,000	1,50,000
9% Debentures	50,000	----
Market price per share	Rs. 1.30	Rs 1.00
Profit before interest	Rs. 20,000	Rs. 20,000

All profits after paying debentures interest are distributed as dividends.

You are required to explain how under Modigliani and Miller approach, an investor holding 10% of shares in company 'A' will be better off in switching his holding to company 'B'.