

BBA 3rd Semester (Honours) Examination, 2021
BACHELOR OF BUSINESS ADMINISTRATION

Course ID : 33211

Course Code : BBA-CC-05

Course Title : Financial Management

Time : 3 Hours

Full Marks : 80

*The figure in the margin indicate full marks.
Candidates are required to give their answers in their own words
as far as practicable.*

Group-A

1. Answer all the questions from the following. Choose the correct option: (10 X 1 = 10)

i. Objective of the Financial Management is

a) Maximisation of Profit b) Maximisation of Wealth c) Minimisation of Financial charges d) All of the above.

ii. Cost of Capital is important in the following Managerial decisions:

a) Capital Budgeting Decision b) Capital Structure Decision c) Dividend Policy d) All of the above

iii. The ratio is important in case of measurement of Capital Structure:

a) Debt Equity Ratio b) Net profit Ratio c) Current Ratio d) None of these

iv. Purchase of a Machine is:

a) Capital Expenditure b) Revenue Expenditure c) Recurring Expenditure d) None of these

v. The Capital Consisting the Fixed assets is

a) Working Capital b) Fixed Capital c) Variable Capital d) All of the above

vi. The Capital through which Firms Running day to day activities are done is

a) Working Capital b) Fixed Capital c) Variable Capital d) All of the above

vii. Current Assets - Current Liabilities =.....

a) Working Capital b) Fixed Capital c) Variable Capital d) All of the above

viii. Dividend received from Investment is

a) Sources of fund b) Application of fund c) no movement of fund d) None of these

ix. Repairing Charges paid for furniture is

a) Capital Expenditure b) Revenue Expenditure c) Recurring Expenditure d) None of these

x. payment of dividend to the Shareholder is

a) Sources of fund b) Application of fund c) no movement of fund d) None of these

Group-B

2. Answer any ten questions from the following. (10 X 2 = 20)

- a. Define Financial Management.
- b. What do you mean by Cost of Capital?
- c. What is Capital Budgeting?
- d. Write two long term sources of capital.
- e. Write two short term sources of capital.
- f. What do you mean by Capital structure of a Company?
- g. What is Negative Working Capital?
- h. What do you mean by Fixed capital?
- i. Define Fund Flow Statement.
- j. Write Two differences between Equity and Preference share Capital.
- k. Write two characteristics of Debentures.
- l. Write two differences between Financial Lease and Operating Lease

- m. What are the advantages of Fund Flow statement, write any two.
- n. Point out two basic features of Working Capital.
- o. Define the concept of leverage

Group-C

3. Answer any four questions from the following. (5 X 4 = 20)

- a. X Ltd. issued 15% debentures @ Rs.100 each to finance a project of Rs.1000000. The flotation cost is 10 % and redeemable at par after 5 years. The Corporate rate is 35%.
Compute cost of debt.
- b. X Ltd. is considering a purchase of a machine of Rs.200000. Cash Inflow is expected to be as under.
Calculate post pay back profitability of the machine.
Cost Price Rs.200000, Effective Life 4 years, Scrap value Nil, Additional Working Capital Required Rs.20000,
Estimated cash inflow after tax: End of 1st year 55000
End of 2nd year 70000
End of 3rd year 85000
End of 4th year 75000
- c. Determine Working Capital of the Firm:
Cash and Bank Rs.200000, Machinery Rs.100000, Stock Rs.300000, Furniture Rs.50000, Bills Receivable Rs. 40000, Debtors Rs.600000, Creditors Rs.500000, Arrear Income Rs.200000, Prepaid Expenses Rs.50000, Short Term Loan Rs.40000, Bills Payable Rs.30000, Outstanding Expenses Rs.30000, Long term Loan Rs.600000, Advance Received Rs.30000.
- d. Write Down three advantages and Disadvantages of Operating Leverage.
- e. Describe the Risk Return Relationship.
- f. What are the importance of Capital Budgeting?

Group-D

4. Answer any three questions from the following. (10 X 3 = 30)

a. Prepare a Fund Flow Statement for the year ended 31.03.2021. (10)

Balance Sheet of the X Ltd.	31.03.21.	31.03.20.		31.03.21.	31.03.20.
Equity Capital	560000	320000	Building	500000	300000
Reserve	50000	30000	Furniture	100000	90000
debentures @ 10%	100000	120000	debtors	60000	70000
Creditor	40000	52000	Stock	80000	60000
Outstanding Expenses	10000	8000	Cash and Bank	20000	10000
	<u>760000</u>	<u>530000</u>		<u>760000</u>	<u>530000</u>

Additional Information:

- 1. building of Rs. 200000 was sold at Rs.120000
- 2. building was depreciated by Rs.50000

b. Determine Working Capital Requirement.. (10)

Annual Output 5200 units

Selling price per unit Rs. 20 of which Material Rs.8 , Direct Labour Rs.2, Overheads Rs.6, and rest profit.

- 1. Material are in Stores for 4 weeks.
- 2. Finished goods in stores for 3 weeks.
- 3. Work in Progress for 2 weeks
- 4. debtors lag for 2 weeks(50% credit sales)
- 5. Creditors lag 1 week (50 % credit purchase)

- c. What are the different factors for determination of Working capital requirement? (10)**
- d. (I) What are the importance of Fund Flow Statement? (6 + 4)**
(II) What are the limitations of Fund Flow Statement?
- e. (I) What are the important functions of Financial Management? (5 + 5)**
(II) what are the importance of Cost of Capital?
- f. (I) What are the Long Term sources of Capital of a Ltd. Co.(any 5) (5 and 5)**
(II) What are the Short Term Sources of Capital ? (any 5)
