

B.B.A. Semester-III (Honours) Examination, 2022-23**BACHELOR OF BUSINESS ADMINISTRATION****Course ID : 33211****Course Code : BBA-CC-05****Course Title : Financial Management**

Time : 3 Hours

Full Marks : 80

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

1. Answer **all** the questions. All the questions carry equal marks: $1 \times 10 = 10$
- a) When current assets is more than current liability then it is called
- Negative Working capital
 - Positive Working Capital
 - Variable Working Capital
 - None of these
- b) Cost of Capital is important in the following Managerial decisions:
- Capital Budgeting Decision
 - Capital Structure Decision
 - Dividend Policy
 - All of the above

- c) Which is the short term source of capital?
- Retained earnings
 - Share capital
 - Credit from creditors
 - None of these
- d) Example of retained earnings
- Share capital
 - General reserve
 - Debentures
 - None of these
- e) Debenture holders can earn
- Predetermined rate of interest
 - Unlimited interest
 - Dividend
 - All of the above
- f) Firm's day to day running expenses is meet out of
- Working Capital
 - Fixed Capital
 - Variable Capital
 - All of the above

- g) Excess of current assets over Current Liability is
- i) Fixed Capital
 - ii) Working Capital
 - iii) Variable Capital
 - iv) All of the above
- h) Sale of Fixed assets is
- i) Application of fund
 - ii) Sources of fund
 - iii) No movement of fund
 - iv) None of these
- i) Erection charges on Building is
- i) Revenue Expenditure
 - ii) Capital Expenditure
 - iii) Recurring Expenditure
 - iv) None of these
- j) Current ratio is important in measuring
- i) Liquidity
 - ii) Solvency
 - iii) Investing
 - iv) None of these

GROUP-B

2. Answer any **ten** questions from the following:

2×10=20

- a) Define Financial Management.
- b) Write two role of Financial officer.
- c) What is the Risk Return relationship?
- d) What are the two main short term sources of capital?
- e) Write two objectives of Financial Management.
- f) What do you mean by Cost of capital?
- g) What do you mean by Variable Working Capital?
- h) What do you mean by Working Capital cycle?
- i) What do you mean by Time Value of Money?
- j) Write two differences between equity share and debentures.
- k) Write two basic advantages of debentures.
- l) Write two differences between Financial Lease and Operating Lease.
- m) What is Capital Rationing?
- n) Point out two functions of Financial Management.
- o) Write two significances of capital Budgeting.

GROUP-C

3. Answer any **four** questions from the following:

$$5 \times 4 = 20$$

- a) Jindal Ltd. has issued 30000, 10% irredeemable debentures @ Rs.100 each to finance a project. The cost of flotation of debentures is 2% of the total issued amount. Taxation rate is 40%. Calculate the Cost of Debt assuming that the debt is issued at (i) par and (ii) 10% Premium.
- b) X Ltd. is considering a purchase of a machine of Rs. 2,00,000. Cash inflow is expected to be as under. Calculate post pay back profitability of the machine.

Cost Price Rs. 2,00,000, Effective Life 4 years, Scrap value Nil, Additional Working Capital Required Rs. 20,000,

Estimated cash inflow after tax:

End of 1st year	45,000
End of 2nd year	80,000
End of 3rd year	85,000
End of 4th year	82,000

- c) Determine Working Capital of the Firm:

Bank Balance Rs. 3,00,000, Plant Rs. 1,00,000, Stock Rs. 3,00,000, Furniture Rs. 50,000, Bills

Receivable Rs. 40,000, Debtors Rs. 6,00,000, Creditors Rs. 5,00,000, Arrear Income Rs. 2,00,000, Prepaid Expenses Rs. 50,000, Short Term Loan Rs. 40,000, Bills Payable Rs. 30,000, Outstanding Expenses Rs. 30,000, Long term Loan Rs. 6,00,000, Bank Overdraft Rs. 10,000.

- d) Write Down three advantages and two disadvantages of Financial Leverage.
- e) Write any five features of debentures.
- f) Differentiate Equity and Preference Share holder.

GROUP-D

4. Answer any **three** questions from the following:

$$10 \times 3 = 30$$

- a) Prepare a Fund Flow Statement for the year ended 31.03.2022.

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Balance Sheet of the X Ltd.	31.03.22.	31.03.21		31.03.22.	31.03.21
Share Capital	4,50,000	2,67,000	Building	3,90,000	2,10,000
General Reserve	60,000	35,000	Furniture	80,000	75,000
6% Debentures	50,000	65,000	Sundry debtors	60,000	80,000
Creditor	50,000	52,000	Inventory	60,000	42,000
Bills payable	10,000	6,000	Cash and Bank	30,000	18,000
	6,20,000	4,25,000		6,20,000	4,25,000

Additional Information:

- i) Furniture was depreciated by Rs. 25,000
- ii) Building was purchased at Rs. 2,00,000
- b) Determine Working Capital Requirement.
Annual Output 14400 units
Selling price per unit Rs. 100 of which Material Rs. 40, Direct Labour Rs. 20, Overheads Rs. 10, and rest profit.
 - i) Material are in Stores for 6 weeks.
 - ii) Finished goods in stores for 4 weeks.
 - iii) Work in Progress for 2 weeks
 - iv) Debtors lag for 3weeks (50% cash and 50% credit sales)
 - v) Creditors lag 1 week 10
- c) What are the different factors determining Working capital requirement in an organisation? (any ten) 10
- d) i) What are the importance of Cost of capital? (any five) 5
ii) What are the limitations of Fund Flow Statement? (any five) 5

- e) Write any eight comparison between Profit Maximisation Goal and Wealth Maximisation Goal in an organisation. 10
- f) i) What are the importance of fund flow statement? (any five) 5
ii) Differentiate cash flow and fund flow statement? (any five) 5