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Total No. of Pages : 03

Total No. of Questions : 18

**BBA (SIM) (Sem.-4)**  
**FINANCIAL MANAGEMENT**  
**Subject Code : BBASM-401-18**  
**M.Code : 77429**

Time : 3 Hrs.

Max. Marks : 60

**INSTRUCTIONS TO CANDIDATES :**

1. **SECTION-A** is **COMPULSORY** consisting of **TEN** questions carrying **TWO** marks each.
2. **SECTION-B** consists of **FOUR** Sub-sections : Units-I, II, III & IV.
3. Each Sub-section contains **TWO** questions each, carrying **TEN** marks each.
4. Students have to attempt any **ONE** question from each Sub-section.

**SECTION-A****Write short note on the following in 2-5 lines :**

1. What is the need of financial management?
2. What are the limitations of traditional approach of capital structure?
3. How Equity Shares differ from preference shares?
4. What do you mean by capital budgeting?
5. Define Unsystematic Risk.
6. What do you mean by financial structure?
7. Define liquidity.
8. What do you mean net working capital?
9. Define Combined Leverage.
10. What do you mean by dividend policies?

**SECTION-B****UNIT-I**

11. In most large corporations, ownership and management are separated. What are the main implications of this separation? Define the scope of financial management. What role should the financial manager play in a modern enterprise?
12. Define the concept of finance. Discuss in detail relationship of financial management to economics and accounting. What forces are prodding companies in India to accord greater importance to the goal of shareholder wealth maximization? Comment on the emerging role of financial manager in India.

**UNIT-II**

13. Define Capital Structure? Explain its significance in financial decision making. Distinguish between the traditional and modern theories of capital structure. Which one should be used for maximization of valuation of the firm and minimization of cost of capital? Why?
14. The capital structure of Adamus Ltd. In book value terms is as follows :

Equity capital (20 million shares, Rs.10 par)	Rs. 200 million
Preference capital, 12 percent (500,000 shares, Rs.100 par)	Rs. 50 million
Retained earnings	Rs. 350 million
Debentures 14 percent (1,200,000 debentures, Rs.100 par)	Rs. 120 million
Term loans, 13 percent	Rs. 80 million
	<hr/> <b>Rs. 800 million</b> <hr/>

The next expected dividend per share is Rs.2.00. The dividend per share is expected to grow at the rate of 12 percent. The market price per share is Rs.50.00. Preference stock, redeemable after 10 years, is currently selling for Rs.85.00 per share. Debentures, redeemable after 5 year, are selling for Rs.90.00 per debenture. The tax rate for the company is 30 percent. Calculate the average cost of capital.

### UNIT-III

15. Define the concept of capital budgeting. Discuss in detail with the help of examples techniques of budgeting. How decision tree analysis approach can be used in capital budgeting decision?
16. There are two projects A and B . A has a service life of one years. The initial cash outlay for both the projects assumed to be Rs. 20,000 each. The cash proceed from project A (at the end of first year) amounts to Rs 24,000. The cash generated by project B at the end of fifth year is likely to be Rs. 40,200. Assume that the required rate of return is 10 percent. Compute and compare NPV and IRR of the two projects.

### UNIT-IV

17. Define Dividend Policy. Discuss in detail theories of relevance and irrelevance theories of dividend with the help of example.
18. Describe the concept of working Capital Management. What are the components of working capital? Illustrate the profitability solvency tangle in the current asset holding.

**NOTE : Disclosure of Identity by writing Mobile No. or Making of passing request on any page of Answer Sheet will lead to UMC against the Student.**