

END-TERM EXAMINATION

FIFTH SEMESTER [BBA (CAM)] DECEMBER-2007

Paper Code: BBA(CAM)-303

Subject: Financial Management

Paper Id-19303

Batch:2005

Time : 3 Hours

Maximum Marks :75

Note: Attempt five questions including Q1. which is compulsory.

- Q1. State whether true or false giving reasons (2.5 x 6)
- (a) Finance Manager's main objective is to maximize profits
 - (b) Money has no time value
 - (c) Higher NPV is preferred over lower NPV.
 - (d) Debt is the cheapest source of fund.
 - (e) Combined leverage is the product of degree of operating leverage and degree of financial leverage.
 - (f) Working capital deals with short term liquidity position of the firm.
- Q2. (a) "The traditional role of Financial Management was wider than the modern role of the financial Management". Comment and explain. (7)
- (b) Write notes on **any two**: (4x2=8)
- (i) Factorizing
 - (ii) Venture Capital
 - (iii) Depositories
- Q3. (a) Why is consideration of time important in Financial decision making? How can time be adjusted. (5)
- (b) X Ltd. is likely to get Rs. 5000 continuously for 5 years. What is its present value, if the discount rate is 10% (PVAF = 3.791)? (5)
- (c) Delta Ltd. declared dividend per share of Rs. 5 last year. The dividend is expected to grow at the rate of 9% p.a. for ever. Is it worthwhile to buy the share at Rs. 105, if the company belongs to risk class of 14%. (5)
- Q4. (a) Discuss the various types of capital budgeting decisions. (6)
- (b) A machine is available for Rs. 1,00,000 which is likely to yield following earnings in the next five years.

Year	CFAT (Rs.)
1	35,000
2	32,000
3	30,000
4	24,000
5	26,000

The machine will be depreciated on straight line method basis. The company is subject to tax at the rate of 50%. Should the machine be purchased if the cost of capital is 12%? (9)

- Q5. (a) Explain briefly cost of capital. (3)
- (b) Explain weighted average cost of capital (5)
- (c) The following information has been extracted from the balance sheet of fashions Ltd. as on 31.12.2005 (7)

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	Rs. In Lacs
Equity Share Capital	400
12% debentures	400
18% term loan	1200
	2000

- (i) Determine the weighted average cost of the capital of company? It had been paying dividends at a consistent rate of 20% per annum.
(ii) What difference will it make if the current price of Rs. 100 share is Rs. 160?

- Q6. (a) Distinguish between operating and financial leverage. How the two leverage can be measured? Explain the significance of operating and financial leverage. (10)
(b) Calculate the degree of operating leverage from the following data and advise which firm is more riskier? (5)

	A	B
Sales	25,00,000	30,00,000
Variable Cost	50% of sales	25% of sales
Fixed Cost	7,50,000	15,00,000

- Q7. (a) Explain briefly 'Net Operating Income' approach and Modigliani Miller approach to the problem of Capital structure. (9)
(b) Explain theory of relevance of dividend payment. (6)
- Q8. (a) Explain the factors having a bearing on working capital needs. (6)
(b) Explain the method of preparation of cash budget (6)
(c) What is inventory re-order point? How it is determined. (3)
