

Sub Code BBL 305.....

Roll No.....

SEMESTER EXAMINATION 2022-2023

2nd Year IIIrd semester BBA LLB

FINANCIAL MANAGEMENT

Duration: 3:00 hrs.

Max Marks: 70

Note: Attempt all questions. All questions carry equal marks. In case of any ambiguity or missing data, the same may be assumed and state the assumption made in the answer.

Q 1.	<p>Answer any four parts of the following within 100 to 125 words.</p> <p>a) What is Financial Management? Explain its various objectives. b) Discuss in brief the roles and responsibilities of a financial manager in today's era. c) Distinguish between Profit maximization and Wealth Maximization. d) Discuss how working capital affects both the liquidity and profitability of the firm. e) Are the shareholders of the company likely to gain with a debt component in the capital employed? Explain with the help of an example. f) A Project cost rupees 2, 50, 0000 and yields an annually profit of 50, 000 after depreciation @12% p.a but before tax of 50%. Calculate the payback period.</p>	4x3.5=14												
Q 2.	<p>Answer any four parts of the following within 100 to 125 words.</p> <p>a) Explain various theories of Dividend distribution. b) Identify and discuss the different factors affecting the Dividend decision of a firm? c) "Every manager has to take three major decisions while performing the finance function" briefly. Explain them. d) Explain the concept of Working capital. Why is it needed? e) What is financial leverage? Discuss the relationship of financial leverage with debt financing. f) What are the various objectives of financial management in today's era?</p>	4x3.5=14												
Q 3.	<p>Answer any two parts of the following within 200 to 250 words</p> <p>a) What do you mean by Capital Structure and an Optimal Capital Structure? How it is determined? Explain its significance. b) Explain different approaches of Capital structure such as the Net Income approach, Net Operating Income approach and Modigliani-Miller approach. c) A Company is contemplating purchasing a new mass storage unit for its computer facility. It is expected to cost 2, 00,000. Further, the company estimates 20, 000 as permanent working capital. The projected Net cash inflows from the proposed investment project are as follows:</p> <table border="1" data-bbox="236 1928 1297 2027"><thead><tr><th>Year</th><th>1</th><th>2</th><th>3</th><th>4</th><th>5</th></tr></thead><tbody><tr><td>Net Cash Inflows</td><td>50,000</td><td>80,000</td><td>1,00,000</td><td>80,000</td><td>60,000</td></tr></tbody></table>	Year	1	2	3	4	5	Net Cash Inflows	50,000	80,000	1,00,000	80,000	60,000	2x7=14
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	The company's cost of capital is 12% advises the company whether the project should be accepted or rejected. Compute the Net present value of the project.																			
Q 4.	<p>Answer any two parts of the following within 200 to 250 words</p> <p>a) To avoid the problem of shortage and surplus of funds, what is required in financial management? Name the concept and explain four points of importance.</p> <p>b) How does leverage affects the Capital structure? Explain the concept of financial leverage and operating leverage.</p> <p>c) Consider the following two alternatives:</p> <table border="1" data-bbox="280 600 1246 898"> <thead> <tr> <th>Particulars</th> <th>Continuation of Old Machine</th> <th>Installation of New Machine</th> </tr> </thead> <tbody> <tr> <td>Cost price</td> <td>20,000</td> <td>50,000</td> </tr> <tr> <td>Estimated life of the machine</td> <td>8years</td> <td>10 years</td> </tr> <tr> <td>Estimated cash costs per annum</td> <td>10,000</td> <td>12,0000</td> </tr> <tr> <td>Estimated revenue per annum</td> <td>18,000</td> <td>24,000</td> </tr> <tr> <td>Scrap value</td> <td>4,000</td> <td>10,000</td> </tr> </tbody> </table> <p>Calculate the Average rate of return.</p>	Particulars	Continuation of Old Machine	Installation of New Machine	Cost price	20,000	50,000	Estimated life of the machine	8years	10 years	Estimated cash costs per annum	10,000	12,0000	Estimated revenue per annum	18,000	24,000	Scrap value	4,000	10,000	2x7=14
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Q 5.	<p>Answer any two parts of the following within 200 to 250 words</p> <p>a) "Maximization of Profit is regarded as the proper objective of investments but it is not as exclusive as wealth maximization of shareholders"- Explain.</p> <p>b) Finance has changed from a field that was concerned primarily with the procurement of funds to one that includes the management of assets, allocation of capital and valuation of firms" Give your views on this statement.</p> <p>c) Why Investment decisions are important? Explain the concept briefly with suitable examples and also discuss the limitations.</p>	2x7=14																		
