Roll No. ....

57531

BBA 4th Semester (N. S.) 2014-17 Examination – July, 2021

FINANCIAL MANAGEMENT

Paper : BBAN-401

Time : Three Hours] *[Maximum Marks : 80*

Before answering the questions, candidates should ensure that they have been supplied the correct and complete question paper. No complaint in this regard, will be entertained after examination.

Note : Attempt ***compulsory*** Question No. 1 from Section – **A** and ***four*** questions from Section – **B** (***one*** question from each unit). All questions carry equal marks.

SECTION – A

1. Briefly explain/illustrate the following :

(a) Profit maximisation

(b) Annuity

(c) Profitability index

(d) Cost of Capital

(e) Financial leverage

(f) Reserves and surplus

(g) Dividend policy

(h) Current liabilities

SECTION – B

UNIT – I

2. Highlight the importance of financial management for a firm. Discuss the major financial decisions.

3. (a) What is time value of money ? What is its importance in financial decision making ?

(b) What is annuity due ? Using suitable examples, calculate the present and future values of an annuity due.

UNIT – II

4. (a) Explain and illustrate the calculation of payback period. What are the advantages and disadvantages of payback period method ?

(b) Why is debt considered the cheapest source of funds ? How is cost of debt calculated ?

5. Cash flows of a project are shown below :

Year	0	1	2	3	4	5
Cash flows (Rs.)	–5000	2000	1500	1200	1000	800

Find the NPV of the project if the discount rate is (i) 10% and (ii) 13%.

UNIT– III

6. Compare and contrast NI and NOI theories.

7. A firm plans to invest Rs. 5,00,000 in a new project. Expected before-tax rate of return on this investment is 24 %. The firm is considering two alternative financial plans : (i) to raise the entire funds by issuing 50,000 ordinary shares at Rs. 10 per share and (ii) to raise Rs. 2,50,000 by issuing 25,000 ordinary shares at Rs. 10 per share and borrow Rs. 2,50,000 at 16 % rate of interest. Tax rate is 40%. Which plan should the firm choose ?

UNIT – IV

8. Discuss in detail the assumptions, mechanism and criticisms of Walter's model.

9. Write notes on :

(a) Costs associated with inventories

(b) Objectives and elements of credit policy