

9722

B.B.A. LL.B. (Hons.) 5 Year Course 2nd Semester
wef May 2017 Examination, May-2018

FINANCIAL MANAGEMENT

Paper-202-A

Time allowed : 3 hours]

[Maximum marks : 80

Note : Attempt four questions from Section-A (one question from each unit and each question of 14 marks) and one compulsory question from Section-B (24 marks).

Section-A

Unit-I

1. Discuss the evolution, importance and functions of financial management.
2. (a) Differentiate between profit maximisation and wealth maximisation.
(b) What role does a finance manager play in a modern organisation ?

Unit-II

3. Cashflows of a project are as given below :

| Year | 0 | 1 | 2 | 3 | 4 | 5 | 6 |
|-----------|--------|------|------|------|------|------|------|
| Cashflows | | | | | | | |
| (Rs) | -18000 | 4000 | 5000 | 6000 | 6000 | 3000 | 3000 |

Find the NPU of the project if the discount rate is 10%.

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[P.T.O.]

4. Explain the meaning, significance and types of cost of capital. How is cost of equity calculated. ?

Unit-III

5. From the following data, determine the degree of operating, financial and combined leverages for the firm XYZ Ltd.

(All figures in Rs.)

| | |
|----------------------|-----------|
| EBIT | 12,00,000 |
| EBT | 3,00,000 |
| Operating fixed cost | 24,00,000 |
| Preference dividend | 60,000 |

Corporate tax rate is 40%. What will be the percentage change in operating profit if sales increase by 10%.

6. With the help of a diagram, explain and illustrate the traditional approach. Also highlight its criticism.

Unit-IV

7. Discuss the meaning and types of inventories. Why does a firm maintain inventories ? What are the costs associated with inventories ?
8. Explain the importance and types of working capital. Which are the determinants of working capital ?

Section-B

9. Briefly explain the following :
- (a) Risk-return trade-off
 - (b) Financing decisions.
 - (c) Importance of capital budgeting decisions.
 - (d) Internal rate of return.
 - (e) Assumptions of NI theory.
 - (f) Elements of capital structure.
 - (g) Objectives of credit policy.
 - (h) Motives for holding cash.