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**Roll No. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**BBA-3211**

**B.B.A. (III Semester) Examination, Dec- 2018**

**BUSINESS ADMINISTRATION**

**Financial Management**

[*Time Allowed: Three Hours Maximum Marks: 70*]

**Note: -** Answer **all** questions.

**Q.1.** Attempt any six of the following questions. **5 \* 6 = 30**

1. What are the objectives of financial Management?
2. What is profitability versus risk trade off for alternative financing strategies?
3. What is the difference between Present Value and Future Value?
4. Define Profitability Index.
5. What is weighted average cost of capital?
6. Describe redeemable and irredeemable debentures?
7. What do you mean by Capital Structure?
8. Write short note on – Dividend and Interest.

**Q. 2.** Describe the various Financial Decisions of a firm? **10**

**OR**

Discuss the functions of a Finance Manager in detail?

**Q.3.** A Firm is planning an investment proposal to install new machinery at a cost of Rs 50,000. The facility has a life expectancy of 5 years and no salvage value. The tax rate is 35 percent. Assume the firm uses straight line depreciation and the same is allowed for tax purposes. The estimated cash flows before depreciation and tax (CFBT) from the investment proposal are as follows:

Year CFBT (Rs.)

1. 10,000
2. 10,500
3. 12,600
4. 13,200
5. 20,350

Compute Payback Period and NPV at 10% rate. **10**

**OR**

Briefly explain the different techniques of Capital Budgeting?

**Q.4.** (i)XYZ ltd issued 10%, Rs 10,000 debentures of Rs 100 each at 10% discount, tax rate is 40%, Calculate cost of debenture?

(ii) ABC ltd issued 10%, Rs 10,000 debentures of Rs 100 each at 10% premium, tax rate is 40%, Calculate cost of debenture? **10**

**OR**

Describe the term – Cost of Preference Shares and Cost of Equity Shares with example.

**Q.5.** Suppose a firm has a capital structure exclusively comprising of ordinary shares amounting to Rs. 85,000. The firm now wishes to raise additional Rs. 90,000 for expansion. The firm has four alternative financial plans:

1. It can raise the entire amount in the form of equity capital.
2. It can raise the entire amount as 7% debentures.
3. It can raise 50% as equity capital and 50% at 4 percent debentures.
4. It can raise 50% as equity capital and 50% at 5% preference capital.

Further assume that the existing EBIT are Rs. 1,00,000, the tax rate is 35%, outstanding ordinary shares 10,000 and the market price per share is Rs 100 under all the four alternatives. Which financial plan should the firm select? **10**

**OR**

How can the effect of profitability on designing an appropriate capital structure be analysed? Illustrate your answer with the help of EBIT-EPS analysis.