



UA-3534

Second Year B. B. A. (Sem. IV) Examination

March/April – 2012

Financial Management

(New Course)

Time : 3 Hours]

[Total Marks : 70

Instructions :

(1)

नीचे दशावलि निशानीवाणी विगतो उत्तरवडी पर अवश्य लपवी. Fillup strictly the details of signs on your answer book.	Seat No. :
Name of the Examination :	<input type="text"/>
<input type="text" value="Second Year B. B. A. (Sem. 4)"/>	<input type="text"/>
Name of the Subject :	<input type="text"/>
<input type="text" value="Financial Management (New)"/>	<input type="text"/>
Subject Code No. : <input type="text" value="3"/> <input type="text" value="5"/> <input type="text" value="3"/> <input type="text" value="4"/>	<input type="text" value="Student's Signature"/>
Section No. (1, 2,.....) : <input type="text" value="Nil"/>	

(2) Figures to the **right** indicate full marks.

(3) Use of simple calculator is allowed.

1 Answer the following : (any seven) 14

- What are the main functions of a finance manager ?
- Explain functions of Financial system.
- Which long term security is know as hybrid security ?
Why ?
- What is meant by capital budgeting ?
- What is proper capitalisation ?
- Name the important dimensions of a firm's credit policy.
- What is meant by leverage ?
- What do you mean by operating cycle and cash cycle ?

2 (a) Explain features of equity shares and evaluate it from the Shareholder's point of view. 7

(b) Explain how shareholder's wealth maximisation is considered to be a superior goal than profit maximisation. 7

OR

UA-3534]

1

[Contd...

- 2 (a) How Financial Management is related with other disciplines ? 7
- (b) Explain features of preference share and state its advantages to the company 7
- 3 (a) What is under capitalisation ? What are the causes of under capitalisation ? 6
- (b) Explain importance of receivables management and factors influencing the size of investment in receivables. 7

OR

- 3 (a) Explain the motives of holding cash. Discuss the techniques that can be used to accelerate the firm's collection. 6
- (b) Discuss Tandon Committee recommendations. 7
- 4 A company is considering two mutually exclusive proposals 'x' and 'y'. Proposal x will require the purchase of machine for Rs. 3,00,000 with no salvage value but an increase in the level of working capital to the tune of Rs. 1,00,000 over its life. The proposal will generate additional sales of Rs. 2,60,000 and require cash expenses of Rs. 60,000 in each of the 5 years of its life. 14

Proposal 'y' will require the purchase of machine for Rs. 5,00,000 with no salvage value and additional working capital of Rs. 1,40,000. The project is expected to generate additional sales of Rs. 4,00,000 with cash expenses aggregating Rs. 1,00,000.

Both the machines are subject to written down value method of depreciation at the rate of 25%. Assuming the company does not have any other asset in the block of 25%, has 12% cost of capital and is subject to 35% tax. Advise the company, which machine it should purchase ?

Year :	1	2	3	4	5
PVIF @ 12% :	0.893	0.797	0.712	0.636	0.567
PVIFA @ 12% :					3.605

OR

- 4 (a) Bhavya Ltd. provides the following information, 7
 calculate operating cycle and cash cycle :

Profit and loss account data :

Sales..... 3,200

Cost of goods sold 2,880

Balance sheet data :

	<i>Beginning of 2011</i>	<i>End of 2011</i>
Inventory	380	400
Accounts receivables	320	360
Accounts payable	220	260

- (b) The financial information of Nitu Ltd., Chetan Ltd. 7
 and Meet Ltd. is as under. Find out Earning per share
 for each company :

<i>Particulars</i>	<i>Nitu Ltd. Rs.</i>	<i>Chetan Ltd. Rs.</i>	<i>Meet Ltd. Rs.</i>
Total Investment	10,00,000	10,00,000	10,00,000
Equity share capital (Rs. 10 per share)	10,00,000	6,00,000	2,00,000
10% Debentures	—	4,00,000	4,00,000
12% Preference share	—	—	4,00,000
EBIT	2,00,000	2,00,000	2,00,000
Tax rate	40%	40%	40%

- 5 Write short notes : (any three) 15

- (a) Factors affecting working capital
 (b) Money market
 (c) Avenues for investing surplus cash
 (d) Selective inventory control.