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GIET UNIVERSITY, GUNUPUR – 765022
 B. B. A (Third Semester) Examinations, December- 2022
21BBAPC23004 – Financial Management

Time: 3 hrs

Maximum: 60 Marks

(The figures in the right hand margin indicate marks.)

PART – A**(2 x 10 = 20 Marks)**Q.1. Answer **ALL** questions

- Explain the term, “Finance”
- Explain the Goals of Financial management
- Fundamental principle of financial management
- Explain the Present value of money
- Explain the various approaches to capital structure
- Describe WACC.
- Explain profitable index.
- Dividend is irrelevant to market price of a share-- Explain
- Explain gross concept of working capital
- Elaborate permanent working Capital

PART – B**(8 x 5 = 40 Marks)**Answer **ALL** the questions

- | | Marks | CO # | Blooms
Level |
|---|-------|------|-----------------|
| 2. a. Explain the term ‘financial management’ along with principles of finance
(OR) | 8 | 01 | L1 |
| b. Elaborate the terms risk and return and their trade-off | 8 | 01 | L1 |
| 3.a. Explain the capital structure planning in relation to the factors affecting the capital structure and forms of business
(OR) | 8 | 02 | L2 |
| b. A manufacturing company is expecting the Net Operating Income of is Rs. 200,000. The company has debenture lending of Rs 6,00,000 at 10% interest payable. The overall capitalization rate is 20%.
Calculate the value of the firm and the equity capitalization rate as per the NOI approach.
What will be the impact on value of the firm and equity capitalization firm if the debenture amount is increased to Rs. 7,50,000? | 8 | 02 | L4 |
| 4.a. Explain capital expenditure planning and the capital budgeting process in detail.
(OR) | 8 | 03 | L2 |
| b. The cost of a project is Rs.50,000 and it generates cash inflows of Rs.20,000, Rs.15,000, Rs.25,000, and Rs.10,000 over four years.
Required: Using the present value index method, appraise the profitability of the proposed investment, assuming a 10% rate of discount. [Given present | 8 | 03 | L4 |

value factor for 10% discount rate: 0.909, 0.826, 0.751 and 0.683 respectively for the 1st year, 2nd year, 3rd year and 4th year.]

- 5.a. Explain the dividend policy and the factors influencing the dividend policy 8 04 L2
(OR)
- b. Assuming that cost of equity is 11%; rate of return on investment is 12%; and earnings per share is Rs 15. Calculate price per share by 'Gordon Model' if dividend payout ratio is 10% and 30%. 8 04 L4
- 6.a. Explain the term, 'working capital' and the procedure of estimating the working capital requirements. 8 05 L2
(OR)
- b. The cost sheet of PQR Ltd. provides the following data : 8 05 L4

	<i>Cost per unit</i>
Raw materials	Rs.50
Direct labour	Rs.20
overheads	Rs.40
Total cost	Rs.110
profit	Rs.20
Selling price	Rs.130

Average raw material in stock is for one month. Average material in work-in-progress is for half month. Credit allowed by suppliers: one month; credit allowed to debtors: one month. Average time lag in payment of wages: 10 days; average time lag in payment of overheads 30 days. 25% of the sales are on cash basis. Cash balance expected to be Rs. 1,00,000. Finished goods lie in the warehouse for one month.

You are required to prepare a statement of the working capital needed to finance a level of the activity of 54,000 units of output. Production is carried on evenly throughout the year and wages and overheads accrue similarly.

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