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GIET UNIVERSITY, GUNUPUR - 765022
B. B. A (Third Semester) Examinations, December - 2023
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

	CO #	Blooms Level
a. Write a short note on Financial Management.	CO1	L1
b. Write a short note on Dividend Decision.	CO1	L1
c. Write a short note on Capital Structure.	CO2	L1
d. Write a short note on Operating leverage.	CO2	L1
e. List out the objectives of capital budgeting.	CO3	L1
f. Write a short note on NPV.	CO3	L1
g. Write a short note on growth needs of the funds.	CO4	L1
h. List out the Assumptions of Walter's Model.	CO4	L1
i. Explain the concept of working capital.	CO5	L1
j. Write a short note on Regression analysis method.	CO5	L1

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

	Marks	CO #	Blooms Level
2. a. Compare and contrast between Profit Maximization and Wealth Maximisation.	8	CO1	L2
(OR)			
b. Describe various emerging Roles of Financial Manager in India.	8	CO1	L4
3.a. A company requires ₹30,00,000 to finance its operations. Financing options are: a). Equity 3,00,000 shares @ ₹10 per share b). Equity 2,00,000 shares @ ₹10 per share and debt @ 10 percent per annum. c). Equity 1,00,000 shares @ ₹10 per share and debt @ 10 percent per annum. Rate of return is 6.67 percent, EBIT is ₹2,00,000 and Tax Rate = 30 percent. Comment on the each option.	8	CO2	L5
(OR)			
b. Briefly discuss EBIT-EPS Analysis procedure with detailed explanation and also provide suitable illustration.	8	CO2	L4
4.a. A project requires an initial investment of ₹2,25,000 and is expected to generate the following net cash inflows: Year 1 (2019): ₹95,000; Year 2 (2020): ₹80,000; Year 3 (2021): ₹60,000; Year 4 (2022): ₹55,000; Year 5 (2023): ₹50,000. Assess and compute i). ARR ii). NPV of the project If the minimum desired rate of return is 12%. Expected salvage value is ₹6,000.	8	CO3	L5

(OR)

- b. Machine A costs ₹1,00,000 payable immediately. Machine B costs ₹1,20,000 half payable at beginning and another half payable in first year. The cash receipts expected are as follows:

Year	Machine A (₹)	Machine B (₹)
1	20,000	---
2	60,000	60,000
3	40,000	60,000
4	30,000	80,000
5	20,000	---

At 7% opportunity cost, which machine should be selected on the basis of NPV?

- 5.a. The earnings per share of a company is ₹8 and the rate of capitalization applicable is 10%. The company has before it, an option of adopting (i) 25%, (ii) 50% (iii) 75% and (iii) 100 % dividend pay-out ratio. Compute the market price of the company's quoted shares as per Walter's model if it can earn a return of (a) 15%, (b) 10% , (c) 12% and (d) 8%, on its retained earnings.

(OR)

- b. With the help of following calculate the market price of a share of a company by using:
- (i) Walter's Model
(ii) Gordon's Model

EPS	₹10
DPS	₹6
K_e	20%
r	25%
Retention ratio	40%

- 6.a. From the following data, compute the duration of the operating cycle for each of the two years and comment on the increase/decrease.

	Year 1	Year 2
Raw materials	20,000	27,000
Work-in-progress	14,000	18,000
Finished goods	21,000	24,000
Purchases	96,000	1,35,000
Cost of goods sold	1,40,000	1,80,000
Sales	1,60,000	2,00,000
Debtors	32,000	50,000
Creditors	16,000	18,000

Assume 360 days per year for computational purposes.

(OR)

- b. a) A firm's current assets and current liabilities are ₹1,600 and ₹1,000 respectively. How much can it borrow on a short-term basis without reducing the current ratio below 1.25?
- b) Calculate the amount of Current Assets and Current Liabilities. If Current Ratio is 3.5 and Working Capital is ₹90,000.

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