GANDHI INSTITUTE OF ENGINEERING AND TECHNOLOGY
UNIVERSITY, ODISHA, GUNUPUR
(GIET UNIVERSITY)

B. B. A. (Third Semester) Examinations, November-2024

BB304– Financial Management

(BBA)

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.	Explain about the nominal rate of interest. Write down the formula.	CO1	K2
b.	Define financial management.	CO1	K1
c.	Write down about the annuity value.	CO1	K1
d.	Explain about time value of money.	CO1	K1
e.	What does the profitability index technique evaluate in capital budgeting?	CO1	K1
f.	Explain about capital structure.	CO1	K1
g.	Define Leverage.	CO1	K1
h.	Explain about fluctuating working capital.	CO1	K1
i.	Write down the formula and full form of WIPCP.	CO1	K2
j.	What is the meaning of irrelevance of Dividends?	CO1	K1

PART – B   (8 x 5=40 Marks)

Answer *All* the questions

		Marks	CO #	Blooms Level
2. a.	Evaluate the goals of financial management.	4	CO1	K2
b.	Explain the application of fundamental principles of finance.	4	CO1	K3

(OR)

c. A company is considering two independent projects with equal initial investments and cash flows. Using, Net Present Value (NPV) methods, determine which project should be accepted. Market rate of compound interest is 15% per year.   8   CO2   K6

Project	Outflow on zero day	Cash inflow at the end of each year				
		1st	2nd	3rd	4th	5th
X	4,00,000	1,00,000	2,00,000	1,50,000	2,00,000	50,000
Y	4,00,000	50,000	1,00,000	3,50,000	50,000	1,50,000

		Marks	CO #	Blooms Level
3.a.	Create one imaginary figure to calculate payback period.	4	CO2	K6
b.	Write down the objectives of capital budgeting.	4	CO2	K3

(OR)

c. Initial investment: Rs 8,00,000   8   CO2   K6
Life of the asset is 5 years,
Estimated net annual cash flows
1st year = Rs 2,90,000
2nd year = Rs 3,60,000

3rd year = Rs 2,60,000

4th year = Rs 3,40,000.

5th year = Rs 1,00,000.

Calculate the internal rate of return by creating trial and hit method?

4.a.	Write down the Objectives of dividend policy.	4	CO3	K2
b.	Explain the Forms of dividends.	4	CO3	K3

(OR)

c. ABC company has currently an all equity capital structure consisting of 10,000 equity shares, of Rs 100 each. The management is planning to raise another Rs 10,00,000 Lakh to finance a major programme of expansion and is considering three alternative methods of financing: 8   CO3   K6

    i)   To issue 10,000 equity shares of Rs 100 each,

    ii)   To issue 10,000, 8% debentures of Rs 100 each,

    iii)   To issue 10,000, 8% preferential shares of Rs 100 each.

  The companies expected earnings before interest and taxes will be Rs 3,00,000. Assuming a corporate tax Rate is 40%. Determine EPS in each alternative, and comment which alternative is best and why?

5.a. Calculate the leverage ratios, EBIT and EPS from the following: 8   CO4   K6

Sales = 30,000

Variable cost = 15,000

Fixed cost = 6,000

Interest on loans = 3,000

Tax rate is 40%

Number of shares = 100.

Interpret the results.

(OR)

b.	Explain about merits of Adequate Working Capital.	4	CO5	K4
c.	Write down about net Operating Cycle period. explain with example.	4	CO5	K3

(OR)

6.a. From the following information extracted from the books of a manufacturing concern,compute the operating cycle in days:-   8   CO5   K6

Period covered: 365 days,

Average period of credit allowed by suppliers: 16 days,

Average total of debtors outstanding: Rs 4,80,000,

Raw material consumption: Rs 44,00,000

Total production cost: Rs 1,00,00,000

Total cost of goods sold for the year: Rs 1,05,00,000

Sales of the year:1,60,00,000.

Stock: opening materials: Rs 3,40,000, closing materials: Rs 3,00,000.

Opening WIP: Rs 4,00,000, closing WIP: Rs 3,00,000

Opening finished goods: Rs 2,80,000, closing finished goods: Rs 2,40,000

(OR)

b. Evaluate the dangerous of excess and inadequacy of working capital in a production business?   8   CO5   K4

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