UTTARAKHAND OPEN UNIVERSITY, HALDWANI (NAINITAL)

उत्तराखंड मुक्त विश्वविद्यालय हल्द्वानी (नैनीताल)

Programme Name-BBA –Fifth Semester
Programme Code- BBA-12
Course Name- Financial Management
Course Code-BBA 502
Maximum Marks-40
Session - 2017-18, Summer Last Date of Submission: 31st October 2017
Session - 2017-18, Winter Last Date of Submission: 30th April 2018

Section-A

Section 'A' contains 08 short answer type questions of 5 marks each. Learners are required to answers 4 questions only. Answers of short answer-type questions must be restricted to 250 words approximately.

Discuss the following (1-8) –

1. Objectives of Financial Management.
2. Cost of Equity and Capital Asset Pricing Model.
3. Objectives of Receivables Management.
4. Irrelevance of Capital Structure: Net Operating Income Approach
5. Nature of Factoring.
6. Dividend Relevance: Walter's Model
7. The following details of A Ltd for the year ended 31-3-2016 are furnished as below;

Operating Leverage	3:1
Financial leverage	2:1
Interest charges per annum	Rs 20 Lakhs
Corporate Tax rate	50%
Variable cost as percentage of sales	60%

Prepare the Income Statement of the company.

8. Calculate the operating cycle of a company which gives the following details;

Raw material consumption per annum	8,42,000
Annual cost of production	14,25,000
Annual cost of sales	15,30,000
Annual sales	19,50,000
Average value of current asset held;	
Raw materials	1,24,000
Work-in-progress	72,000
Finished goods	1,22,000
Debtors	2,60,000

The company gets 30 days credit from its suppliers. All sales made by the firm are on credit only. You may take one year as equal to 365 days.

Section-B

Section 'B' contains 04 long answer-type questions of 10 marks each. Learners are required to answers 02 questions only.

1. How does the 'modern' financial manager differ from the 'traditional' financial manager? Does the 'modern' financial manager's role differ for the large diversified firm and the small –to-medium size firm?
2. Mahindra Company is considering two mutually exclusive projects. The following are the information for the same:

   Initial outlay Rs. 40,000
   Life of the Project 5 Years
   Required rate of return 10%
   Tax rate 35%
   The net cash inflows before tax and depreciation are:

Year	1	2	3	4	5
Project X	16,000	16,000	16,000	16,000	16,000
Project Y	16,000	20,000	8,000	24,000	16,000

The project will be depreciated on straight line method. You are requested to calculate:

a)The payback period of each project.

b)The net present value and profitability index for each project.

3. Two companies X and Y are engaged in the similar business and the capital employed in each company is Rs. 10,00,000.The capital structure of companies is as under-

Particulars	X Company (in Rs.)	Y Company (in Rs.)
Equity Share Capital(Shares of Rs. 100 each)	6,00,000	3,00,000
Reserves and Surplus	2,00,000	1,00,000
12% Preference Share Capital (Shares of Rs. 100 each)	1,00,000	2,00,000
14% Debentures	1,00,000	4,00,000
Total	10,00,000	10,00,000

Profit before interest and tax on capital employed in both companies is 20%. Rate of tax is 50%.

On the basis of above information, you are required to ascertain:

a. Capital Gearing Ratio

b. Earnings per share on equity shares

c. Earnings per share on equity shares (if return on capital employed before interest and tax is 15%).

Comment on their results.

4. Explain the relationship between the internal rate of return, and the opportunity cost of capital in case of growth firms, normal firms and declining firms.