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(20517)

Roll No.

BBA-IV Sem.

18056

B. B. A. Examination, May 2017

FINANCIAL MANAGEMENT

(BBA-402)

(New)

Time : Three Hours *[Maximum Marks : 75]*

Note : Attempt questions from all Sections as per instructions.

Section-A

(Very Short Answer Questions)

Attempt all the *five* questions of this Section. Each question carries 3 marks. Very short answer is required not exceeding 75 words. $3 \times 5 = 15$

1. What is meant by compounding technique for adjusting the time value of money?
2. The expected annual income of a firm is ₹ 1 lakh p.a. Find out the amount of capitalization if the prevailing rate of return in the firm is (i) 12.5%, (ii) 17.5%.
3. What is meant by internal rate of return (IRR)?

4. Name some techniques of inventory management.
5. What are the assumptions of Walter's model of dividend policy?

Section-B

(Short Answer Questions)

This Section contains three questions, attempt any *two* questions. Each question carries $7\frac{1}{2}$ marks. Short answer is required not exceeding 200 words. $7\frac{1}{2} \times 2 = 15$

6. What are the basic features of an optimum capital structure?
7. Explain the scope of capital budgeting decisions.
8. How will you estimate the working capital requirement of a concern?

Section-C

(Detailed Answer Questions)

This Section contains five questions, attempt any *three* questions. Each question carries 15 marks. Answer is required in detail. $15 \times 3 = 45$

9. The objective of wealth maximisation is one step ahead of profit maximization. Discuss.
10. What is meant by capital structure? Briefly explain the various theories of capital structure.
11. The total amount of capitalization of the company has been fixed ₹ 20,00,000. The average annual

income of the company is ₹ 3,00,000. The rate of capitalization in the market (for similar companies) is 20%. The investors want the rate of return on their capital at least equal to the market rate of capitalization. Considering the above facts you have to answer :

- (i) Is the company over-capitalized?
- (ii) If so, then what is the extent of over-capitalization?
- (iii) In order to bring a state of fair capitalization how much increase in the annual income of the company should be aimed by the management?

12. The following data have been taken from the financial records of Vibhav Ltd. :

Raw Material	Rs. 40 per unit
Direct Labour	Rs. 20 per unit
Overhead Expenses	Rs. 5,40,000 (Total)

The following additional information are also available :

- (i) The management of the company is planning to manufacture 1,00,000 units in the coming year. The selling price per unit will be Rs. 125. There is perfect harmony between output and sales of the company which is maintained throughout the year.

- (ii) The average storage period is 40 days for raw material and 30 days for finished goods.
 - (iii) The company sells goods to its customers on 30 days credit and purchases raw materials on 60 days credit from its suppliers.
 - (iv) The duration of the production cycle in the company is 20 days and needed raw materials is issued to the production department at beginning of each production cycle.
 - (v) 20% of the average working capital is kept as extra cash for contingencies. Assume 360 working days in the operating period, work out an estimate of the total requirements of working capital for the company, using operating cycle method.
13. A firm operates everyday of the year. The entire lot of a part it manufactures is delivered to the stock room at one time. The part is used by the assembly department at a uniform rate. A minimum inventory of 500 units is carried. The reorder point is 600 units, and the procurement time for a replenishment order is 10 days. The lot size is such that the average inventory of the part is 1,500 units. Find (i) the rate of use per week, (ii) the lot size.