You are required to calculate for each project:-

(i) NPV

(ii) Payback Period

(iii) Profitability Index

Given PVF (16%)

I Yr.	II Yr.	III Yr	IV Yr	V Yr
0.862	0.743	0.641	0.552	0.476

7. Discuss the merits and demerits of various Capital budgeting techniques required in financial decision making. 10

Unit-IV

8. Explain the meaning and nature of working capital. Draw the operating cycle of working capital along with necessary equations. 10

9. A Company has total investment of Rs 5,00,000 assets and Rs 50,000 outstanding equity shares of Rs 10 each. It earns at the rate of 15% on its in investments. and has a policy of retaining 50% of the earning. If the appropriate discount rate for the firm is 10%. Determine the price of its share using Gordon Model. What shall happen to the price, if the company has a payout of 80% & 20%. 10

A (Printed Pages 4)

Roll. No. ___________

MS-3194

B.B.A. (I.B.) (Semester-IV)

Examination, 2015

FINANCIAL MANAGEMENT

Time Allowed : Three Hours] ***[Maximum Marks : 70***

Note : Answer five question in all. Question No.1 is compulsory. Attempt one question from each unit.

1. Briefly explain the following: $3 \times 10 = 30$

(a) Wealth Maximization.

(b) Financial Planning Process.

(c) Leverage.

(d) EBIT-EPS analysis.

(e) Cost of Capital.

(f) Sensitivity Analysis.

(g) Irrelevance theory of dividend policy.

(h) Organisational Chart of Finance dept.

(i) Internal Rate of Return.

(j) Optimal Capital Structure.

Unit-I

2. Discuss Financing Decision and Investment Decision as the hallmark of financial management. 10

3. (a) "Incorporation of time value of money helps financial manager is taking better decision." Discuss. 5+5=10

(b) Examine the relationship between financial accounting and financial management.

Unit-II

4. The data relating to two Companies are given below: 10

	Company'A'	Company'B'
Capital	Rs 6,00,000	Rs 3,50,000
Debentures@12%	Rs 4,00,000	Rs 6,50,000
Output p:a,	60,000	15,000
Selling Price/unit	Rs 30/-	Rs 250/-
Fixed Cost p.o.	Rs 7,00,000	Rs 14,00,000
Variable Cost/unit	Rs 10	Rs 75

You are required to calculate the operating, financial and combined leverage of the two companies and interpret the result.

5. (a) "The Consequences of over capitalisation are far more serious and fatal than under capitalization," Explain. 6+4=10

(b) Outline the steps to calculate Weightage Average Cost of Capital (WACC).

Unit-III

6. A Company has to make a choice between two projects namely A and B. The initial cost for the two projects are Rs 1,35,000 and Rs 2,40,000 respectively. The Cost of Capital is 16% The annual Cash flows are as under:- 10

Year	Project A (Rs.)	Project B (Rs.)
1	__	60,000
2	30,000	84,000
3	1,32,000	96,000
4	84,000	1,02,000
5	84,000	90,000