B.B.A. LL.B. (Hons.) 5 Year Course 2nd Semester wef May 2017 Examination, May–2018

FINANCIAL MANAGEMENT

Paper–202- A

Time allowed : 3 hours] *[Maximum marks : 80*

Note : *Attempt* ***four*** *questions from* **Section–A** *(one question from each unit and each question of 14 marks) and* ***one compulsory question*** *from* **Section–B** *(24 marks).*

Section–A

Unit–I

1. Discuss the evolution, importance and functions of financial management.

2. (a) Differentiate between profit maximisation and wealth maximisation.

(b) What role does a finance manager play in a modern organisation ?

Unit–II

3. Cashflows of a project are as given below :

Year	0	1	2	3	4	5	6
Cashflows (Rs)	–18000	4000	5000	6000	6000	3000	3000

Find the NPU of the project if the discount rate is 10%.

4. Explain the meaning, significance and types of cost of capital. How is cost of equity calculated. ?

Unit–III

5. From the following data, determine the degree of operating, financial and combined leverages for the firm XYZ Ltd.

	(All figures in Rs.)
EBIT	12,00,000
EBT	3,00,000
Operating fixed cost	24,00,000
Preference dividend	60,000

Corporate tax rate is 40%. What will be the percentage change in operating profit if sales in crease by 10%.

6. With the help of a diagram, explain and illustrate the traditional approach. Also highlight its criticism.

Unit–IV

7. Discuss the meaning and types of inventories. Why does a firm maintain inventories ? What are the costs associated with inventories ?

8. Explain the importance and types of working capital. Which are the determinants of working capital ?

Section–B

9. Briefly explain the following :
   (a) Risk-return trade-off
   (b) Financing decisions.
   (c) Importance of capital budgeting decisions.
   (d) Internal rate of return.
   (e) Assumptions of NI theory.
   (f) Elements of capital structure.
   (g) Objectives of credit policy.
   (h) Motives for holding cash.