

September 2018

Bachelor of Business Administration (BBA) Examination

(Full Time) (New) Second Semester

BB-204 : FINANCIAL MANAGEMENT

Time 3 Hours]

[Max. Marks 80

Note : Attempt any two questions from Section A and any three questions from Section B. All questions carry equal marks.

Section A

1. Discuss the objectives of Financial Management and relationship with decision areas.
2. Discuss the role and importance of Financial Statements in Financial Analysis.
3. Write short notes on the following :
 - (a) Financial Ratios.
 - (b) Capital Rationing.
 - (c) Risk and Return Analysis.
 - (d) Tools of Financial Analysis.

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Section B

4. Balance Sheet of X Ltd.

Liabilities	2014 Rs.	Assets	2014 Rs.
Share Capital	3,60,000	Building	3,39,600
Share Premium	36,000	Machinery	1,58,400
General Reserve	27,000	Furniture	4,500
Creditors	1,09,200	Stock	78,000
8% Debentures	78,000	Debtors	1,17,300
Bills Payable	37,200	Preliminary Expenses	12,000
Profit and Loss A/c	62,400		
	<u>7,09,800</u>		<u>7,09,800</u>

Sales Rs. 5,86,500, Gross Profit 25% on cost.

Calculate ratios with the value given in balance sheet and the information :

- (a) Gross Profit on Sales
 - (b) Debtor Turnover Ratio
 - (c) Debt Equity Ratio
 - (d) Fixed Assets Turnover Ratio
 - (e) Current Ratio
 - (f) Reserve to Capital Ratio.
5. Prepare Income Statements and compare from the following details :

Company	A	B
Operating Leverages	4	3
Financial Leverages	3	5
Interest @10% on Debt Rs.	84,000	75,000
Tax Rate	30%	30%
Variable Cost	40%	60%
No. of Equity Shares (@ Rs. 10 each)	30,000	30,000

Company is looking for fund Rs. 2,00,000 to increase the function. It will be either from 12% Preference Share or 9% Debt. Which option is better on the basis of leverage analysis ? Suggest to company with your calculations and analysis.

6. Evaluate the project on the basis of Net Present Value Method from the data given below :

Initial Investment : Rs. 5,00,000

Additional Investment required : Rs. 2,00,000 (end of the year 2009)

Scrap Value Rs. 85,000 (at the end of the project on 2012)

Year	2008	2009	2010	2011	2012
Cash Flows in Rs.	3,00,000	1,50,000	3,00,000	2,00,000	2,00,000

Minimum required rate of return is 10%

PV Factor @10%	0.909	0.826	0.751	0.683	0.621
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7. From the following Balance Sheets of X Ltd. prepare Cash Flow Statement with working note and supporting accounts :

Liabilities	2010 Rs.	2011 Rs.	Assets	2010 Rs.	2011 Rs.
Equity Capital	2,90,000	3,32,000	Plant and Machinery	1,60,000	1,40,000
P & L A/c	45,000	15,000	Furniture	1,10,000	1,80,000
General Reserve	30,000	20,000	Investments	40,000	50,000
12% Debenture	50,000	70,000	Debtors	60,000	40,000
Creditors	10,000	20,000	Inventories	75,000	50,000
Provision for Tax	20,000	15,000	Cash	6,000	10,000
Dividend Proposed	12,000	18,000	Bills Receivable	6,000	20,000
Total	4,57,000	4,90,000	Total	4,57,000	4,90,000

Additional information :

(a) Depreciation on Machinery Rs. 15,000 and on Furniture Rs. 12,000.

(b) Dividend paid Rs. 22,000.

(c) Tax paid during the year Rs. 18,000.

8. Prepare Working Capital requirement from the following given information :

Annual Production 1,04,000 units.

Raw Material Rs. 80 Per Unit

Wages Rs. 40 Per Unit (Payment delayed by one month)

Overheads Rs. 48 Per Unit (Including Depreciation Rs. 8.00)

All types of material are kept in process on an average one month.

For work in process consider complete unit of raw material and 50% of other components.

Debtors are given credit for two months and creditors allow credit for payment a month.

Assuming that 50% of overheads are paid one month in advance prepare the required statement.