

Roll No.

57032

B.B.A. 4th Semester

(N.S.) 2011-14

Examination–May, 2013

Financial Management

Paper-Bba-402

Time : 3 hours

Max. Marks : 80

Before answering the questions, candidates should ensure that they have been supplied the correct and complete question paper. No complaint in this regard will be entertained after the examination.

Note : Attempt **five** questions in all, Section-**A** is **compulsory**. Attempt other questions by selecting **one** question from each unit in Section-B. All questions carry equal marks.

Section-A

1. Explain the following : 2×8=16

(a) Net present value

- (b) Dividend Policy
- (c) Significance of working capital management
- (d) Pay Back period.
- (e) Function of finance manager
- (f) Types of Instrument decisions
- (g) Economic order Quality.
- (h) Credit policy

Section-B

Unit-I

2. What do you mean by business finance ? Should the goal of financial decision making be profit maximization or wealth maximization ? Discuss. 16
3. What are the basic financial decisions ? How do they involve risk-return trade off ?
4. What is capital budgeting ? Discuss traditional techniques of capital budgeting. 16

Unit-II

5. Divya company is using a machine whose original cost was Rs. 15,000/. The machine is 5 years old and has a salvage value of Rs. 2,000. The asset is being depreciated over a

15 year original life towards a zero estimated salvage value. Depreciation is on a straight line basis and the tax rate is 50 per cent. 16

Management is contemplating the purchase of a replacement which costs Rs. 10,000/- and whose estimated salvage value is Rs. 2,000. The estimated savings with the new machine are Rs.3,000 a year. Depreciation is on a straight line basis over a 10 year life. The cost of capital is 10 percent. Should the firm replace the asset ?

Unit-III

6. Distinguish between operating leverage and financial leverage. Do you think, they are related to capital structure ? 16
7. Explain the assumptions and implications of NOI approach to capital structure decisions. 16

Unit-IV

8. What is dividend decision ? Explain Walter's Model of valuation of firm based on dividend. 16
9. Write notes on the following :
 - (a) Motives of holding cash 8
 - (b) Inventory control techniques. 8