



0442

Fourth Semester 5 Year B.B.A., LL.B. (Hons) Examination, June/July 2014
FINANCIAL MANAGEMENT

Duration : 2¹/₂ Hours

Max. Marks : 70

Instructions: 1. Answer all 5 Questions.

2. One essay type and **one** short note question or problem from **each** Unit have to be attempted.

UNIT – I

Q. No. 1. (a) Define financial management. Explain the objectives of financial management.

Marks : 9

OR

Following are the details regarding the capital structure of a company.

Sources of Capital	Book Value	Market Value	Specific Cost
Debentures	Rs. 80,000	Rs. 76,000	10%
Preference shares	Rs. 20,000	Rs. 22,000	15%
Equity shares	Rs. 1,20,000	Rs. 1,80,000	30%
Retained earnings	Rs. 40,000	Rs. 60,000	15%

You are required to calculate WACC using

- Book value as weights and total cost.
- Market value as weights and total cost.

(b) Write a short note on :

Marks : 5

CAPM

OR

Functions of Financial Management.

P.T.O.

**UNIT – II**

Q. No. 2. (a) What is Dividend Policy ? State the various factors affect the dividend policy.

Marks : 9

OR

Explain in brief various theories of capital structure.

(b) Write a short note on :

Marks : 5

Dividend payout policy.

OR

Walter's dividend model.

UNIT – III

Q. No. 3. (a) What you mean by Inventory Management ? State its significance.

Marks : 9

OR

From the following information estimate the amount of working capital by taking 360 days in a year.

Sales 80,000 units at Rs. 20 per unit

Material cost Rs. 10 per unit

Labour cost Rs. 5 per unit

Overheads Rs. 3 per unit

Customers are given 45 days credit and 60 days credit is taken from suppliers. Raw materials for 30 days and finished goods for 15 days are kept in stock, production cycle 24 days. A cash balance equal to one third of average of other working capital is kept for contingencies.

(b) Write short note on :

Marks : 5

Credit Management (Receivable)

OR

Working Capital Management.



UNIT – IV

Q. No. 4. (a) From the following information compute

Marks : 9

- i) Payback period
- ii) Net Present value.

Cash outlay Rs. 70,000

Cash inflows :

1st year Rs. 10,000

2nd year Rs. 20,000

3rd year Rs. 30,000

4th year Rs. 45,000

5th year Rs. 60,000

Cost of capital is 10%.

OR

What is Capital Budgeting ? Explain the methods of capital budgeting.

(b) Write a short note on :

Marks : 5

International Capital Budgeting.

OR

Multinational Working Capital Management.

UNIT – V

Q. No. 5. (a) Gama Fertilizers Company is taking over Theta Petrochemical Company. The shareholders of Theta would receive 0.8 shares of Gama for each shares held by them. The data for the two companies are as follows.

Marks : 9

	Gama	Theta
Net sales (Rs. crore)	335.00	118.00
Profit after tax (Rs. crore)	58.00	12.00
No. of shares (Rs. crore)	12.00	03.00



Earnings per share (Rs.)	4.83	4.00
Market value per share (Rs.)	30.00	20.00
Price-earnings ratio	6.21	5.00

For the combined company (after merger)

You are required to calculate :

- a) EPS
- b) P/E Ratio
- c) Market value per share.

OR

Explain the different types of mergers.

- (b) Write a short note on :

Marks : 5

Acquisition

OR

Benefits of mergers.
