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B.B.A. (Part-III) (Semester-VI) Examination, March - 2014
FINANCIAL MANAGEMENT (Paper-II)
Sub. Code : 43965

Day and Date : Friday, 21-03-2014

Total Marks : 40

Time : 12.00 noon to 2.00 p.m.

- Instructions :**
- 1) All questions are compulsory.
 - 2) Figures to the right indicate full marks.

Q1) ABC Company is considering to purchase a machine. Two machines, each costing Rs. 40,000 are available. Earnings after taxation but before charging depreciation are: **[14]**

Year	Cash flows	
	Machine 'X'	Machine 'Y'
	Rs.	Rs.
1	12,000	8,000
2	18,000	16,000
3	20,000	24,000
4	15,000	18,000
5	10,000	14,000

Evaluate two alternatives according to:

- a) Payback period method.
- b) Net present value method using 10% discounting factor.
- c) Profitability index method.

Present value of Re. 1 at 10% discounting factor is given below:

Year	1	2	3	4	5
p.v of Re. 1	0.909	0.826	0.751	0.683	0.621

OR

What is Ratio Analysis? Write and explain any two ratios with their formulae. Write the drawbacks of ratio analysis. **[14]**

P.T.O.

Q2) Answer any Two of the following:

a) The following information is supplied to you

Particulars	Rs.
Cash	2,10,000
Debtors	3,30,000
Stock	12,30,000
Plant & equipment	16,95,000
Total assets	34,65,000
Sundry creditors	9,00,000
8% debentures	5,00,000
Equity share capital	11,00,000
Retained earnings	9,65,000
Total liabilities	34,65,000
Sales	56,00,000
Cost of goods sold	40,00,000
Other operating expenses	8,00,000
Interest expenses	40,000
Income taxes	2,66,000
Dividends	1,00,000

Calculate:

- Current Ratio
 - Acid Test Ratio.
 - Debt Equity Ratio.
 - Stock Turnover Ratio.
- b) The ABC Company has the following specific cost of capital along with the indicated book and market value weights.

Type of capital	Cost	Book value weights	Market value weights
Equity shares	0.18	0.50	0.58
Preference shares	0.15	0.20	0.17
Long term debt	0.07	0.30	0.25
		1.00	1.00

Calculate the weighted cost of capital, using book and market value weights.

- c) What is capital structure? Explain net operating income approach.
- d) What is cost of capital? Explain in brief specific cost of capital with illustration.

Q3) Write short notes (Any Two):

[10]

- a) Commonsize Statements.
- b) Internal Rate of Return Method.
- c) Trend Analysis.
- d) Profitability Ratios.

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