

Seat No.	
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BBA (Part - III) (Semester - VI) Examination, April - 2015
FINANCIAL MANAGEMENT (Paper - II)
Sub. Code : 43965

Day and Date : Friday, 10 - 04 - 2015
Time :12.00 noon. to 02.00 p.m.

Total Marks : 40

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

Q1) A company is considering the purchase of machine costing Rs. 1,00,000. Earnings after taxation are expected to be as under.

Year	Earnings after taxation
1	Rs. 30,000
2	Rs. 40,000
3	Rs. 50,000
4	Rs. 30,000
5	Rs. 20,000

Calculate:- 1) Pay back period 2) Net present value
 3) Profitability index

You are asked to findout Net present value, and Profitability index using 10% discounting factor.

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

Year →	1	2	3	4	5
Present value →	0.909	0.826	0.751	0.683	0.621

[14]

OR

What do you understand by financial statement analysis? Explain any four ratios with their formulaes and significance.

Q2) Answer any two of the following:

[16]

- a) What is meant by capital structure? Write any three factors to be considered while framing capital structure.

P.T.O.

- b) What is meant by cost of capital? Write the importance of cost of capital.
- c) Following information is provided to you:

Particulars	Amt.
Cash	1,70,000
Debtors	2,74,000
Stock	9,00,000
Fixed assets	10,00,000
Total Assets	23,44,000
Current liabilities	5,00,000
Longterm loans	8,00,000
Equity share capital	8,00,000
Retained Earnings	2,44,000
Total Capital & Liabilities	23,44,000
Sales	Rs. 24,00,000

You are required to calculate:-

- Current Ratio.
 - Acid Test Ratio.
 - Stock Turnover Ratio.
 - Assets Turnover Ratio.
- d) From the following information, determine the appropriate weighted average cost of capital, relevant for evaluating longterm investment project of the company.

Cost of Equity	12%
After tax cost of long term debt	7%
After tax cost of short term loans	4%

Sources of capital	Book value Rs.	Market value Rs.
Equity Capital	5,00,000	7,50,000
Long term debt capital	4,00,000	3,75,000
Short term debt capital	1,00,000	1,00,000
	10,00,000	12,25,000

Q3) Write short notes (any two):

[10]

- Accounting Rate of Return method.
- Common size statements.
- Internal Rate of Return method.
- Limitations of Ratio analysis.

