Seat No.	

B.B.A.(Part - III)(Semester - VI) Examination,April -2017
Financial Management (Paper-II)
Sub. Code : 43965

Day and Date : Monday, 17 - 4 - 2017 **Total Marks : 40**

Time : 12.00 noon to 02.00 p.m.

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

Q1) A Company is considering an investment proposal to install new milling controls. The project will cost Rs. 50,000/-. The facility has a life expectancy of 5 years and no salvage value the company's tax rate is 55% and no investment tax credit is allowed. The firm uses straight line depreciation. The estimated cash flows before tax (CFBT) from the proposed investment proposals are as follows: **[14]**

Year	CFBT Rs.
1	10,000
2	11,000
3	14,000
4	15,000
5	25,000

Compute the following :

a) Pay back period.

b) Net present value Method.

c) Average rate of return.

OR

Explain the term Capital Budgeting state in detail different Methods of evaluating the investment Decisions.

Q2) Answer Any Two of the following: **[16]**

a) Discuss in brief, the concept of "Cost of Capital"

b) Elaborate the term "Capital structure" and explain Net operating income Approach.

c) The following is the Balance Sheet of Ravi ltd.

Balance Sheet as on 31/3/15

Liabilities		Assets	
Equity Share Capital	90,000	Fixed Assets	1,95,000
Reserve & Surplus	60,000	Stock	45,000
Secured loans	1,05,000	Debtors	50,000
Sundry Creditors	45,000	Cash	10,000
	3,00,000		3,00,000

You are required to calculate :

i) Current Ratio

ii) Liquid Ratio

iii) Debt Equity Ratio

iv) Return on capital employed ratio taking into account the net profit Rs. 30,000 for the year.

d) A company's after tax cost of different sources of finance is as follows:-

Cost of Equity Capital	14%
Cost of Retained Earnings	13%
Cost of Preference Shares	10%
Cost of Debt	5%

The capital Structure of the Company is as under:

Source	Book Value (Rs.)	Market Value (Rs.)
Equity Share Capital	4,00,000	10,00,000
Retained Earning	1,00,000	
Preference Share Capital	2,00,000	2,00,000
Debt	3,00,000	3,00,000
	10,00,000	15,00,000

Calculate :

The weighed average cost of capital using

a) Book value weights

b) Market value weights

Q3) Write short Notes : (Any Two) **[10]**

a) Trend Analysis

b) Capital Structure Theories

c) Cost of Debt

d) Ratio Analysis