

Seat No.	
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**B.B.A. (Part - III) (Semester - VI) Examination, 2013**

**FINANCIAL MANAGEMENT (Paper - II)**

**Sub.Code : 43965**

**Day and Date :**

**Total Marks : 40**

**Time :**

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

**Q1) Write Broad Answer Question (1 out of 2)**

**[14]**

- a) 'X' Ltd. is considering the purchase of a new machine. Two alternative are available having cost price Rs. 200,000 (two Lakhs) each. The following inflows are expected during the five years. Life of both the machines is 5 years.

Year	Machine 'A' (Rs.)	Machine 'B' (Rs.)
1 <sup>st</sup> year	20,000	60,000
2 <sup>nd</sup> year	60,000	80,000
3 <sup>rd</sup> year	80,000	1,00,000

The company is expecting 10 % return on its Capital. The net present value of Rs. 1 at 10 % are as under.

Year	I <sup>st</sup> year	II <sup>nd</sup> year	III <sup>rd</sup> year	IV <sup>th</sup> year	V <sup>th</sup> year
P.V. factor @ 10 % Discount	0.909	0.826	0.751	0.683	0.620

You are required to appraise the proposals on the basis of :

- 1) Pay-back period method.
- 2) Average Rate of Return method.
- 3) Net Present Value method.

OR

**P.T.O.**

- b) What do you understand by analysis and interpretation of financial statement? Explain the Importance of Ratio Analysis.

**Q2) Write Short Answer [2 out of 4]**

**[20]**

- a) The following is the Balance sheet of a limited Company on 31<sup>st</sup> March, 2013

Liabilities	Amt (Rs)	Assets	Amt (Rs)
Share Capital	2,00,000	Land and Building	1,40,000
Profit and loss A/C	30,000	Plant and Machinery	3,50,000
General Reserve	40,000	Stock.in-Trade	2,00,000
12 % Debentures	4,20,000	Sundry Debtors	1,00,000
Sundry Creditors	1,00,000	Bills Receivable	10,000
Bills Payable	50,000	Cash at Bank	40,000
	8,40,000		8,40,000

Calculate:- (i) Current Ratio (ii) Quick Ratio (iii) Inventory to working capital (iv) Debt to Equity Ratio (v) Proprietary Ratio.

- b) ABC Ltd. has the following Capital structure

Equity (Expected dividend 12%)	Rs. 10,00,000
10% Preference shares	Rs. 5,00,000
8% Loan	Rs. 15,00,000

You are required to calculate the weighted average cost of Capital, assuming 50% as the rate of income tax, before and after Tax.

- c) State the significance of financial analysis. What is its purpose.  
 d) What is mean by Capital structure? Explain the factors to be considered while framing Capital structure.

**Q3) Write Short Answer (2 out of 4) :**

**[10]**

- a) Techniques of evaluation of Capital budgeting.  
 b) Tools of financial Analysis.  
 c) Importance of cost of Capital.  
 d) Usefulness of financial statements.

