

Seat No.	
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B.B.A. (Part - III) (Semester - VI) Examination, April - 2016
FINANCIAL MANAGEMENT (Paper - II)
Sub. Code : 43965

Day and Date : Monday, 18 - 04 - 2016

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) Following information is supplied to you.

[14]

A Company wish to invest in a project costing Rs 50,000. The project has life expectancy of 5 years and no salvage value. The estimated cashflows before tax (CFBT) from the project are as under:

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

Assume 55% tax rate.

Compute:

- a) Payback period
 b) Average rate of return.

OR

What do you mean by Ratio Analysis? Explain various types of ratios along with their formulae.

Q2) Write short answers (any two)

[16]

- a) What is capital structure? Explain the factors to be considered while framing suitable capital structure.
 b) The capital structure of a company , and specific sources and their cost is given below.

Specific source of finance	Book value (weights) Rs	Specific cost
Debenture	1,50,000	5%
Preference shares	50,000	9%
Equity shares	2,00,000	15%
Retained earnings	1,00,000	8%

Calculate composite cost of capital.

- c) What is Net present value method of appraising long term investment proposal ? Write its significance.
- d) What is cost of Capital ? Write the importance of cost of capital.

Q3) Write short notes: (Any two)

[10]

- a) Internal rate of return.
- b) Common size statements.
- c) Profitability Index
- d) Net income approach.

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