

Seat No.	
----------	--

**B.B.A. (Part - III) (Semester - VI) Examination, Nov. - 2013**

**FINANCIAL MANAGEMENT (Paper - II)**

**Sub. Code : 43965**

**Day and Date : Tuesday, 12 - 11 - 2013**

**Total Marks : 40**

**Time : 3.00 p.m. to 5.00 p.m.**

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

**Q1)** Kiran Industries Jaysingpur considering the purchase of machinery. Three alternatives are available, L M L, Tata and P & G, costing Rs.200000, 300000 and Rs.400000 respectively. The life of all the models is 4 years. Expected earnings from the machines after tax but before depreciation are as below :

Model / Year	2013 - 14	2014 - 15	2015 - 16	2016 - 17
L M L	60000	80000	100000	60000
Tata	30000	90000	120000	180000
P & G	80000	140000	180000	180000

Find out which model is more profitable according to Net Present Value Method. The present value of Re. 1 considering discounting factor at 10% is – [14]

Year	2013 - 14	2014 - 15	2015 - 16	2016 - 17
Present Value	0.909	0.826	0.751	0.683

OR

What do you mean by Ratio Analysis? What is the significance of Ratio Analysis? Explain different types of Ratios. [14]

P.T.O.

Q2) Write short answers (any two) : [16]

a) Jaysingpur Ltd. presents you the following information –

Balance Sheet  
as on 31/3/2013

Liabilities	Rs.	Assets	Rs.
Equity Share Capital	600000	Fixed Assets	870000
Reserves and Surplus	400000	Investments	80000
6% Debentures	200000	Current Assets	
Sundry Creditors	300000	Sundry Debtors	130000
Bank Overdraft	200000	Stock	300000
		Bank	250000
		Cash	70000
	1700000		1700000

You are required to calculate the following ratios –

1. Current Ratio,
2. Quick Ratio,
3. Debt Equity Ratio,
4. Inventory working Capital Ratio

b) A company has the following capita structure. Find out the weighted average cost of capital.

Particulars	Book Value	Cost (after tax)
Equity Share Capital	250000	12%
Retained Earnings	100000	8%
Preference Share Capital	100000	5%
Debentures	200000	5%
Total	650000	

- c) Explain in brief Capital Structure theories.
- d) Define capital budgeting and explain the importance of capital budgeting.

Q3) Write short notes (any two) : [10]

- a) Pay back method.
- b) Importance of trend analysis.
- c) Net income approach.
- d) Usefulness of financial statements.

