

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

Day and Date : Saturday, 07 - 11 - 2015

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) A company's whose cost of capital is 12% is considering two projects 'A' and 'B'. The following data are available. **[14]**

Particulars	Project A	Project B
Investment	140000	140000
Cash flows -		
1	20000	100000
2	40000	80000
3	60000	40000
4	100000	20000
5	110000	20000
	<u>330000</u>	<u>260000</u>

Select the most suitable project by using the following methods:

- Payback periods.
- Net present value.
- Profitability Index.

OR

State the various factors to be considered while framing capital structure.

Q2) Attempt any two of the following.

- What do you mean by financial statement Analysis. Explain any three tools of financial statement analysis.
- What do you understand by cost of capital? How is cost of capital calculated in case of (è) equity capital (èé) Debt.
- Asian company wish to determine the optimal capital structure from the following selected information supplied to you Determine the optimal capital structure of the company.

Capital Structure	Debt Amt.	Equity Amt	After tax cost of debt	Cost of Equity
1	400000	100000	8%	9%
2	250000	250000	5%	10%
3	100000	400000	4%	13%

- Modern steel Mills is considering the possibility of raising Rs.500000 by issuing equity shares, preference shares and debentures the book values and market values of the issues are as follows:

Source	Bookvalue	Market value	Cost
Equity shares	200000	300000	12.5%
Preference shares	100000	120000	9.2%
Debentures	200000	180000	4.65%

Compute the weighted average cost of capital using

- Book value weights and
- Market value weights.

Q3) Write Short notes (any two)

- Steps in Ratio Analysis
- Modigliani and miller Approach
- Trend Analysis
- Importance of capital Budgeting Decisions.

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