

Roll No. 

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Total No. of Pages : 02

Total No. of Questions : 08

**BBA (Sem.-4)**  
**FINANCIAL MANAGEMENT**  
**Subject Code : BBA-403-18**  
**M.Code : 77425**  
**Date of Examination : 21-06-21**

Time : 2 Hrs.

Max. Marks : 60

**INSTRUCTION TO CANDIDATES :**

1. Attempt any FIVE question(s), each question carries 12 marks.

1. *“Objective of financial management is to maximize shareholder’s wealth, which automatically takes care of profit maximization objective of firm”*. Elucidate with suitable examples.
2. *“A Company form of organization uses capital market as a platform for mobilizing long-term sources of finance”*. Comment and write a detailed note on various financial instruments in the capital market that may be used by a company for raising long-term finance.
3. Define capital structure. Write a detailed note on various theories of capital structure for deciding optimal debt-equity mix for the firm.
4. What do you mean by cost of capital? Briefly discuss the concepts of weighted average cost of capital and marginal cost of capital. Also, discuss with a suitable example about how the weighted average cost of capital is calculated.
5. An iron ore company is considering investing in a new processing facility. The company extracts ore from an open pit mine. During a year, 1,00,000 tonnes of ore is extracted. If the output from the extraction process is sold immediately upon removal of dirt, rocks and other impurities, a piece of Rs. 1,000 per tonne of ore can be obtained. The company has estimated that its extraction costs amount to 70 percent of the net realizable value of the ore.

As an alternative to selling the ore at Rs. 1,000 per tonne, it is possible to process further 25 percent of the output. The additional cash cost of further processing would be Rs. 100 per tonne. The proposed ore would yield 80 per cent final output, and can be sold at Rs. 1600 per ton.

For additional processing, the company would have to instal equipment costing Rs.10 lakh. The equipment is subject to 25 percent depreciation per annum (w.d.v.). It is expected to have useful life of 5 years. Additional working capital requirement is estimated at Rs.10 lakh. The company's cut-off rate for such investments is 10 percent. Corporate tax rate is 30 percent. Assume that the salvage value of machine is Rs.1 Lakh.

6. What is capital budgeting decision? Briefly discuss various discounted and non-discounted cash flow methods for evaluating capital budgeting projects.
7. What is working capital? Write a detailed note on the factors determining working capital.
8. *“Dividend is distribution of profits and free reserves of the company but its quantum is dependent upon the growth trajectory of the firm”*. Elucidate and discuss various types of dividend policy followed by a firm.

**Note: Any student found attempting answer sheet from any other person(s), using incriminating material or involved in any wrong activity reported by evaluator shall be treated under UMC provisions.**

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**Any student found making any change/addition/modification in contents of scanned copy of answer sheet and original answer sheet, shall be covered under UMC provisions.**