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Register Number:

DATE:

**ST. JOSEPH’S COLLEGE (AUTONOMOUS), BANGALORE-27**

**BBA – IV SEMESTER**

**SEMESTER EXAMINATION: April 2022**

**Examination Conducted in JULY-AUGUST 2022**

**BBA 4219: Financial Management**

Time- 2 ½ hrs Max Marks-70

**This paper contains \_\_\_\_\_printed pages and four parts**

**Section A**

**I**. Answer ***any five***of the following (5x2 = 10 Marks)

1. What is financing decision?
2. Mention four function of finance.
3. What is cost of capital?
4. What is capital budgeting?
5. What are different types of dividends?
6. What is Inventory Management?

**Section B**

**II.** Answer ***any three*** of the following (**3x5 = 15 Marks)**

1. What are the aims of finance function?
2. a. Mr. Jathin has to receive Rs.5,000 per year for 7 years. Calculate the present value of annuity assuming he can earn interest on his investment at 10%.

b. Mr.Joe deposit 6,000 today at 6% interest rate. How many years the deposit amount will be doubled? (Use doubling period rule)

1. Analyse the factors influencing working capital requirement?
2. A project needs 2,50,000 as investment. If the cost of capital is 12% calculate profitability index and comment on acceptability criteria.

|  |  |
| --- | --- |
| Year | Cash inflow (Rs.) |
| 1 | 60,000 |
| 2 | 65,000 |
| 3 | 77,000 |
| 4 | 75,000 |
| 5 | 65,000 |

**Section C**

**III.** Answer ***any two***of the following (**2x15 = 30 Marks)**

1. “Wealth maximisation is superior to profit maximisation”- Justify the statement.
2. From the following information calculate net present value and payback period for two projects and suggest which project should be accepted assuming discount rate of 10%.

|  |  |  |
| --- | --- | --- |
|  | Project X | Project Y |
| Initial investment | 20,000 | 30,000 |
| Estimated life | 5 years | 5 years |
| Scrap value | 1,000 | 2,000 |

The cash flows are as follows:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Project | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
| X | 5,000 | 10,000 | 10,000 | 3,000 | 2,000 |
| Y | 20,000 | 10,000 | 5,000 | 3,000 | 2,000 |

1. Rasna Ltd has the following book value capital structure:

|  |  |
| --- | --- |
| Particulars | Rs (Cr) |
| Equity Capital(12 million @Rs10) | 120 |
| Preference Capital, 12%(1,00,000 shares @Rs.100) | 10 |
| Retained earnings | 120 |
| 14%Debenture (500000 debentures, Rs.100) | 50 |
| 10% Term Loan | 70 |
|  | 370 |

The next expected dividend per share is Rs.2.5. The dividend is expected to grow at 5%.The market price per share is Rs.27. Preference share currently selling at Rs.78 will be redeemable after 10 years. Debenture redeemable after 6 years is selling for Rs.80 per debenture. The tax rate is 35%.

Calculate weighted average cost of capital using book value method.

**Section D**

**III. Answer the following (1x15=15 Marks)**

1. Discuss the determinants of dividend policy. (7 marks)
2. Following are the information of Red Dart Incorporation.(8 marks)

|  |  |  |
| --- | --- | --- |
| Particulars | Plan 1 | Plan 2 |
| Debt  (Interest 10%) | 6,00,000 | 2,00,000 |
| Equity Rs.10 each | 2,00,000 | 6,00,000 |
| Total finance required | 8,00,000 | 8,00,000 |
| No. of eq. share | 20,000 | 60,000 |

Show the impact on EPS (under both the plans) if EBIT changes from 75,000 to 1, 25,000. Tax rate 40%.