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

**BBA – IV SEMESTER**

**SEMESTER EXAMINATION: April 2023**

**(Examination Conducted in May 2023)**

**BA4122: FINANCIAL MANAGEMENT**

**(For Current Batch Students Only)**

Time- 2 hrs Max Marks-60

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

**Section A**

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

1. Define Financial Management.
2. What is an irregular dividend policy?
3. Write a note on the meaning of under capitalisation.
4. Mention any two motives for holding cash.
5. What is capital rationing?
6. State the meaning of watered stock.

**Section B**

**II.** Answer ***any four*** of the following (**4x5 = 20 Marks)**

1. Briefly explain the significance of having adequate working capital.
2. Write a note on the effects of over capitalisation.
3. Write a short note on the different forms of dividend.
4. The following is an extract from SP Ltd

| Particulars | Amount in Lakhs |
| --- | --- |
| Operating Profit  | 210 |
| Less Interest on debentures | 66 |
|  | 144 |
| Less Income Tax ( 50%) | 72 |
| **Net Profit** | **72** |
| Equity Share Capital (Shares of Rs. 10) | 400 |
| Reserves and Surplus | 200 |
| 15% Non-Convertible Debentures (of Rs. 100 each) | 440 |
|  | 1040 |

The Market Price per equity share is Rs. 24 and per Debenture Rs. 187.5

What is the percentage cost of capital to the company for the debenture funds and the equity?

1. A company is requiring a machine that costs Rs. 3,20,0000. The estimated salvage value is zero. Depreciation is charged on straight line method. Tax rate is 55%. From the following information calculate ARR.

| Year  | PBDT (Rs.) |
| --- | --- |
| 1 | 1,60,000 |
| 2 | 60,000 |
| 3 | 1,08,000 |
| 4 | 1,12,000 |
| 5 | 96,000 |

**Section C**

**III.** Answer ***any two*** of the following (**2x10 = 20 Marks)**

1. Expand upon the determinants of working capital.
2. S Ltd. is similiar to R Ltd. in respect of the pattern of financing. Only R Ltd. finances its assets through Debt, the interest on which amounts to Rs. 50,000. The fixed costs amount to Rs. 50,000. Variable Cost is Rs. 7,00,000. Determine the degree of operating, financial and combined leverages at Rs.10,00,000 sales for both the firms
3. A firm has the following book value capital structure

| Sources of Funds  | Book Value (Rs.) |
| --- | --- |
| Equity share capital of Rs. 100 each | 16,00,000 |
| 9% Cumulative Preference Shares at Rs. 100 Each  | 4,00,000 |
| 11% Debentures | 12,00,000 |
| Retained Earnings | 8,00,000 |
|  | 40,00,000 |

The current market price of the company’s equity share is Rs. 400. For the last year the company had paid equity dividend at 25% and its dividend is likely to grow at 5% p.a. Corporate Tax rate is 30%, You are required to compute weighted average cost of capital at Book Value.

**Section D**

**III. Answer the following (1x10=10 Marks)**

1. V Ltd can make either of two investments assuming the rate of return of 10%p.a. Evaluate the investment proposal by
	1. Net Present Value
	2. Payback period

Details are as follows

| Particulars | Project X | Project Y |
| --- | --- | --- |
| Cost of the investment | Rs. 25,000 | Rs. 30,000 |
| Life | 5 years | 6 Years |
|  | Net Income After Depreciation and Tax |
| 2016 | 600 | 3,800 |
| 2017 | 1,000 | 4,500 |
| 2018 | 2,500 | 5,000 |
| 2019 | 3,000 | 4,500 |
| 2020 | 3,500 | 5,500 |
| 2021 | - | 6,000 |

Depreciation is provided under straight line method.