10% Long-term debt	80,000	Current Assets	50,000
Retained Earnings	20,000		
Current liability	40,000		

The company's total assets turnover is 3. Its fixed operating cost are ₹1,00,000 and its variable cost ratio is 40%; income tax rate is 50% .

Calculate : (i) Operating leverage (ii) Financial leverage (iii) Combined leverage.

UNIT-IV

8. "Working capital must be adequate but at the same time not excessive". Comment.

9. Best of Luck Company Ltd, uses annually 80,300 units of raw materials at a price of Rs. 8 per unit. Its estimated carrying cost is 14 percent and its ordering cost is ₹20 per order. What will be the economical number of units to order how often will an order needs to be placed ?

Roll No. ....

57531

B.B.A. 4th Semester (N.S.) 2014-2017

Examination– May, 2017

Financial Management

Paper-BBAN-401

Time : 3 hours ***Max. Marks : 80***

Before answering the questions, candidates should ensure that they have been supplied the correct and complete question paper. No complaint in this regard will be entertained after the examination.

Note : The question paper shall be divided in two sections. Section-A comprise of eight short answer type questions from whole of the syllabus carrying two marks each, which shall be **compulsory**. Section-B shall comprise of eight questions (two questions from each unit). Students are required to attempt any **four** questions in Section-B.

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SECTION-A

1. (a) What do you understand by shareholder wealth ?
   (b) How is the cost of retained earnings computed ?
   (c) Explicit vs. implicit cost.
   (d) Define capital budgeting.
   (e) What is cut-off rate ?
   (f) What is optimum capital structure ?
   (g) Write a brief note on operating cycle.
   (h) What do you mean by matching approach ?

SECTION-B

UNIT-I

2. What do you mean by financial management ? Discuss the approaches to finance function.

3. What do you mean by wealth maximization and profit maximization ? Which one do you suggest ? Why ?

UNIT-II

4. What is cost of equity ? Write a detailed note on the approaches available for computation of cost of equity ?

5. No project is acceptable unless the yield is 10 percent. Cash inflows of a certain project along with cash outflows are given below :

Year	0	1	2	3	4	5
Cash outflow (₹)	1,50,000	30,000	—	—	—	—
Cash inflow (₹)	—	20,000	30,000	60,000	80,000	30,000

The salvage value at the end of 5th year is ₹40,000. Calculate the NPV.

UNIT-III

6. Explain the Modigilani Miller approach in detail.

7. Bhatt Co Ltd. balance sheet is as follows :

Liabilities	Amount	Assets	Amount
Equity capital (each ₹10)	60,000	Fixed Assets	1,50,000

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