



SY BBA

School of Commerce and  
Management

Commerce

MBC 203

FINANCIAL MANAGEMENT

Semester – Odd (III)

Day & Date *Monday*  
*03/06/2019*

End Semester Examination

Time: 3 hrs, Max Marks: 100  
*10.30 am to 1.30 pm*

Instructions:

- 1) All Questions are compulsory.
- 2) Assume the figures where ever necessary.

		Marks	Level	COs
Q.1	Answer the Following			
a)	State True or False(Any 5)	10	1	
	i) Financial Management is not important for the company.			CO1
	ii) Financial Management does not take financial aspects in consideration.			CO1
	iii) Investment Decision is only short term.			CO2
	iv) One of the reasons that capital budgeting is so important is that major capital investment projects are generally irreversible.			CO2
	v) Liquidity decisions are related to short term decisions.			CO3
	vi) Working Capital formula is current assets minus current income?			CO3
b)	Answer the short questions (Any 5)	10	1	
	a. State the concept of Net Present Value.			CO4
	b. Define the term IRR.			CO 4
	c. Narrate the meaning of cost of capital.			CO 5
	d. What is debt?			CO 6
	e. What is Equity?			CO 6
	f. What is preference share?			CO 6
Q.2	Answer the following			
a)	State the terms Investment, Liquidity, financing and dividend decision in Financial Management.	10	1	CO 1
OR				
a)	Define Financial Management with its objectives.	10	1	CO 1
b)	Discuss the factors affecting the investment decision.	10	2	CO 2

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OR

- b) Describe the short term and long term investment decisions. 10 2 CO 2

Q.3 Answer the following

- a) Discuss the factors influencing working capital? 10 2 CO 3

OR

- a) Interpret the requirement of working capital to finance the level of activity of 3000000 units of output for a year. 10 2 CO 3

	Cost per unit (Rs)
Raw material	40
Direct Labor	10
Overhead	30
Total cost	80
Profit	20
Selling price	100

Additional Information

1. Minimum cash balance desired Rs. 40000
  2. Raw Material held in stock for 2 month
  3. WIP will approximate to half month production
  4. Finished goods remain in ware house for 1 month
  5. credit period of suppliers 1 month and debtors 2 month
  6. Time lag in payment of wages 1 month and overhead paid after half month.
- b) The project cost Rs. 200000 and life is 5 years with no salvage value. Tax rate 50%, company follows straight line method of depreciation. 10 2 CO 4

Year	1	2	3	4	5
EATBD	40000	42000	48000	80000	60000

Calculate Payback Period.

OR

- b) Discuss the Profitability index method in detail. 10 2 CO 4

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- Q.4 Answer the following (Any Two)
- a) Explain the factors influencing the determination of Capital Structure. 10 2 CO 5
- b) ABC company ltd. Issues 8% preference shares of Rs. 500000 at Rs. 10 each. 3% brokerage paid on face value. Calculate cost of preference Share when they are issued  
1) At par 2) at 10% premium 3) at 10% Discount 10 2 CO 5
- c) A company issues 6% debentures of Rs. 1500000, a company is in 40% tax bracket. Calculate cost of debt capital, if debenture are issued at  
a) at par b) 10% Premium c) at 10% Discount 10 3 CO 5

- Q.5 Answer the following (Any Two)
- a) Illustrate the different sources of financing for an organization. 10 3 CO 6
- b) Write the significance of weighted average method in cost of capital. 10 3 CO 6
- c) XYZ company supplied the following information to you and requested to compute cost of capital based on book value and market value. 10 4 CO 6

Sources of Finance	Book Value	Market Value	After tax Cost (%)
Equity	1000000	1500000	12
Long Term Debt	800000	750000	7
Short Term Debt	200000	200000	4
Total	2000000	2450000	

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