

NJR/KS/18/6620

Bachelor of Business Administration (B.B.A.) Semester—III (C.B.C.S.) Examination**PRINCIPLES OF FINANCIAL MANAGEMENT****Compulsory Paper—1**

Time : Three Hours]

[Maximum Marks : 80

Note :— (1) **ALL** questions are compulsory.

(2) Each question carries equal marks.

1. (a) What is Business Finance ? Explain the scope and importance of Business Finance.
- (b) What are the objectives of Financial Management ?

OR

- (c) Explain the functions of Business Finance.
- (d) State the limitations of Financial Management.
2. (a) Explain the long term sources of Finance.
- (b) What are the short term sources of Finance ?

OR

- (c) Explain the term 'Preference Shares'. What are the various types of preference shares ?
- (d) Differentiate between shares and debentures.
3. (a) Explain the concept of capital structure. What are the factors affecting capital structure ?
- (b) The following figures relate to two companies :

Particulars	A Ltd.	B Ltd.
Sales	18,00,000	37,50,000
Variable cost	6,00,000	11,25,000
Contribution	12,00,000	26,25,000

Particulars	A Ltd.	B Ltd.
Fixed cost	7,00,000	14,00,000
EBIT	5,00,000	12,25,000
Interest	48,000	78,000
PBT	4,52,000	11,47,000

You are required to calculate different leverages for both the companies and also comment on their relative risk position.

OR

- (c) AC Ltd. has the following capital structure (Rs. in lakhs) :

Particulars	Cost %	Market Value
Equity share capital	18	80
Preference share capital	15	30
Debentures	14	40

Calculate Weighted Average Cost of Capital (WACC) on the basis of Market Values.

- (d) Explain the concept of leverages along with its relevance in determining a firm's risk position.
4. (a) Explain the factors that determine the working capital needs of a company.
- (b) Jayant Ltd. requires you to forecast their working capital requirement. Following information is provided to you :
- Projected Annual Sales Rs. 25,00,000.
 - Net Profit 10 % on Sales.
 - Average credit allowed to Debtors : 8 weeks.
 - Average credit allowed by Creditors : 4 weeks.
 - Average stock carrying in terms of sales requirement : 6 weeks.
 - Allow 10 % for contingencies.

OR

- (c) The management of Royal Industries has called for a statement showing the working capital to finance a level of activity of 1,80,000 units of output for the year. The cost structure for the company's product is detailed below :

	Cost p.u.
Raw Material	Rs. 20
Direct Labour	Rs. 5
Overheads (including depreciation of Rs. 5 p.u.)	Rs. 15
	<hr/> 40
Profit	Rs. 10
Selling Price	<hr/> Rs. 50

Additional information :

- (a) Minimum desired cash balance Rs. 20,000.
 - (b) Raw materials are held in stock on an average for 2 months.
 - (c) Work in Progress (assume 50 % completion stage) will approximate to half-a-month's production.
 - (d) Finished Goods remain in warehouse on an average for a month.
 - (e) Suppliers of materials extend a month's credit and debtors are provided two month's credit, cash Sales are 25 % of total sales.
 - (f) There is a time lag in payment of wages of a month and half-a-month in case of overheads.
- (d) Explain various approaches for financing working capital.
5. (a) Discuss the functions of finance Manager.
- (b) What are the limitations of Debentures.
- (c) D Ltd. has Rs. 100 preference share redeemable at a premium of 10 % with 15 years maturity. The dividend rate is 12 %. Floatation cost is 5 %. Calculate cost of preference capital.

(d) Balance sheet of Z Ltd. is as follows :

Liabilities	Amt.	Assets	Amt.
Share Capital	10,00,000	Land and Building	3,00,000
Reserves	8,00,000	Plant and Machinery	10,00,000
Term Loans	8,00,000	Stock	10,00,000
Creditors	6,00,000	Receivables	11,00,000
Provision for Tax	3,00,000	Bank	1,00,000
	35,00,000		35,00,000

Determine amount of Working Capital.