

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

Time : Three Hours]

[Maximum Marks : 80

- N.B. :—** (1) All questions are compulsory.
 (2) All questions carry equal marks.

1. (A) What do you mean by Business Finance ? Write the functions of Business Finance. 8
 (B) Explain the scope of Business Finance. Elaborate, why Business Finance is important in every business activity. 8

OR

- (C) What are the goals and objectives of Financial Management ? 8
 (D) Write a detailed note on Business Finance. 8
 2. (A) How finance for long term requirement of business activity is collected ? 8
 (B) Explain the sources available for carrying out day to day operations of business activity. 8

OR

- (C) What do you mean by debentures ? What are the different types of debentures ? 8
 (D) Explain the kinds of shares in detail. 8
 3. (A) What do you mean by leverages ? What are the types of leverages ? 8

OR

- (B) The following information is available from a Balance Sheet of a Company :

- (i) 20,000 Equity Shares of Rs. 10 each Rs. 2,00,000
 (ii) Reserves and Surplus Rs. 1,30,000
 (iii) 8% Debentures Rs. 1,70,000

The rate of tax for the company is 30%

Current level of Equity Dividend is 12%.

Calculate the cost of Capital using the above figures. 8

OR

- (C) Calculate the degree of operating leverage, degree of financial leverage and degree of combined leverage for the following firms :

	A	B	C
Output (units)	60,000	15,000	1,00,000
Fixed Cost	7,000	14,000	1,500
Variable Cost per unit	0.20	1.50	0.02
Interest on borrowed funds	4,000	8,000	—
Selling price per unit	0.60	5.00	0.10

- (D) Explain the concept of Capital structure. What are the determinants of Capital structure ? 8

4. (A) What do you mean by Working Capital ? Explain the importance of maintaining adequate Working Capital. 8

- (B) The Cost Sheet of PQR Ltd. provides the following data :

(i) Raw Material p. unit.	Rs. 50
(ii) Direct Labour p. unit	Rs. 20
(iii) Overheads (including depreciation)	Rs. 40
Total Cost	Rs. 110
Profit	Rs. 20
Selling Price	Rs. 130

Average Raw Material in stock is for one month. Average material in work-in-progress is for half month. Credit allowed by suppliers is one month. Credit allowed to debtors is one month. Average lag in payment of wages is 10 days. Average lag in payment of overheads is 30 days. 25% of sales are on cash basis. Cash balance expected to be Rs. 1,00,000. Finished goods remaining in the warehouse for one month.

You are required to prepare a statement of Working Capital needed to finance level of activity of 54,000 units of output. Production is carried on evenly throughout the year, and wages and overheads accrue similarly. 8

OR

- (C) The following information has been extracted from the records of a company :

Raw Material p. unit.	Rs. 45
Direct Labour p. unit	Rs. 20
Overheads p. unit	Rs. 40
Total	Rs. 105
Profit	Rs. 15
Selling Price	Rs. 120

- (a) Raw Materials are in stock on an average 2 months.
 (b) The materials are in process on an average 1 month. The degree of completion is 50% in respect of all elements of cost.
 (c) Finished goods in stock on an average for 1 month.
 (d) Time lag in payment of wages and overheads is 1½ weeks.
 (e) Credit allowed to debtors is 2 months.
 (f) Credit allowed by suppliers is 1 month.
 (g) 20% of output is sold against cash.
 (h) Expected cash balance is Rs. 1,00,000.

The company is poised for a manufacture of 1,44,000 units p. year.

You are required to prepare a statement showing Working Capital requirement for the company. 8

- (D) What are the two concepts of Working Capital ? Also explain the concept of Working Capital. 8

5. Write short notes on :

- (A) Disadvantages of maximisation of profit concept. 4
 (B) Types of short term credit provided by Banks. 4
 (C) Weighted Average Cost of Capital (WACC). 4
 (D) Factoring Concept. 4