Year	Project –X()	Project –Y()
1	2,000,000	1,500,000
2	2,500,000	2,000,000
3	3,500,000	2,500,000
4	2,500,000	2,000,000
5	2,000,000	3,000,000
6	3,500,000	4,000,000
7	2,500,000	2,500,000
8	1,500,000	1,000,000

You are required to suggest which project should be accepted under Net Present Value Method.

Present value of Re.1 to be received at the end of each year at 15% is given below:

Year	1	2	3	4	5	6	7	8
P.V.	0.870	0.756	0.657	0.572	0.497	0.432	0.376	0.327

*****

REV-00
BBA/05/10 2017/08

BACHELOR OF BUSINESS ADMINISTRATION
Fourth Semester
FINANCIAL MANAGEMENT
(BBA - 16)

Duration: 3Hrs. **Full Marks: 70**

PART A (Objective) =20
PART-B (Descriptive)=50

PART-B (Descriptive)

Duration: 2 hrs. 40 mins. **Marks: 50**

1. Answer the following questions (any *five*): **2×5=10**

a) Define financial management.

b) What is meant by capital structure of a firm?

c) Explain the concept of cost of capital.

d) What do you mean by dividend?

e) Define Capital Budgeting.

f) Define Working Capital.

g) What is Net Present Value?

2. Answer the following questions (any *five*): **3×5=15**

a) What is the need of financial manager?

b) Explain any three feature of Equity share.

c) What do you mean by Debenture?

d) What are the disadvantages of inadequate working capital?

e) Using the information given below, compute the Pay-back Period.

Initial Outlay	Rs.80, 000
Estimated life	5 Years

End of the year	Profit before depreciation but after tax: (Rs.)
1	22,000
2	30,000
3	40,000
4	32,000
5	16,000

f) A company issues 10% Debentures for Rs.100000. Rate of Tax is 50%. Calculate the cost of debt (after tax) if the debenture are issued at :

(i) Par (ii) 10% Premium

g) What do you understand by covenant in relation to term loan? Highlight two example of negative covenant.

3. Answer the following questions (any *five*): 5×5=25

a) In what ways is the wealth maximisation objective superior to the profit maximisation objective?

b) Distinguish between share and debenture.

c) Critically discuss debenture as a long term source of fund.

d) Calculate the average rate of return for project A and B from the following:

	Project A	Project B
Investments	Rs.20,000	30,000
Expected Life (no salvage value)	4 year	5 years

Projected Net Income after interest, depreciation and taxes:

Year	Project A (Rs.)	Project B (Rs.)
1	2,000	3,000
2	1,500	3,000
3	1,500	2,000
4	1,000	1,000
5	-	1,000

If the required rate of return is 12% which project should be undertaken?

e) The capital structure and after tax cost of different sources of funds are given below:

Sources of funds	Amount (Rs.)	After tax cost (%)
Equity share capital	6,00,000	15
Preference share capital	3,00,000	14
Debentures	3,00,000	8

You are required to compute weighted average cost of capital.

f) A Co. issues 1000 equity shares of Rs.100 each at a premium of 10 %. The company has been paying 20% dividend to equity shareholders for the past five years and expects to maintain the same in the future also. Compute the cost of equity capital. Will it make any difference if the market price of equity share is Rs. 160?

g) You are working as a financial analyst in a public Limited company. Your company is involved in the exploration, extraction and marketing of Oil. The capital budgeting division of your company has propped two new projects X and Y. The director of capital budgeting has asked you to analyze the two proposed projects and present a report on the financial viability of the projects.

Some key facts about the projects are as follow;

Each project has a cost of Rs.10 million, and the cost of capital for each project is 15%. The projects' expected net cash flows are as follows:

PTO

REV-00
BBA/05/10

2017/08

BACHELOR OF BUSINESS ADMINISTRATION
Fourth Semester
FINANCIAL MANAGEMENT
(BBA - 16)

Duration: 20 minutes **Marks – 20**

PART-A (Objective)

Time: 20 mins **Total Marks: 20**

I. Choose the correct option: **1×20=20**

1. Financial Management is mainly concerned with ___________.
   a. arrangement of funds.
   b. all aspects of acquiring and utilizing financial resources for firms activities.
   c. efficient Management of every business.
   d. profit maximization.

2. Which of the following is not an objective of financial management?
   a. Maximization of wealth of shareholders.
   b. Maximization of profits.
   c. Mobilization of funds at an acceptable cost.
   d. Ensuring discipline in the organization.

3. Which of the following is not a function of a finance manager?
   a. Mobilization of funds b. Deployment of funds
   c. Control over use of funds d. Manipulate share price of the company

4. Capital budgeting is related to ___________.
   a. long terms assets b. short term assets
   c. long terms and short terms assets d. fixed assets

5. Working capital management is managing _________________.
   a. long term assets b. short term assets and liabilities
   c. long terms liabilities d. only short term assets

6. Financial decisions involve _________________.
   a. Investment, financing and dividend decisions.
   b. Investment sales decisions.
   c. Financing cash decisions.
   d. Investment dividend decisions.

7. _______________ is defined as the length of time required to recover the initial cash out-lay.
   a. Payback-period b. Inventory conversion period
   c. Discounted Cash flow d. Budget period

8. Capital Budgeting is a part of:
   a. Investment Decision b. Working Capital Management
   c. Marketing Management d. Capital Structure

9. Which of the following is not a capital budgeting decision?
   a. Expansion Programme b. Merger
   c. Replacement of an Asset d. Inventory Level

10. A proposal is not a Capital Budgeting proposal if it:
    a. is related to Fixed Assets b. brings long-term benefits
    c. brings short-term benefits only d. has very large investment

11. Security of assets is determining factor for using ____________.
    a. debt capital b. equity capital
    c. preference capital d. cost of capital

12. What is the rate which equates the present value of expected future cash flows with the cost of investment?
    a. Internal rate of return b. External rate of return
    c. Return on investment d. Accounting rate of return

13. Which of the following is not part of working capital management?
    a. Credit period to buyers.
    b. Proportion of current assets to be financed by long term debt.
    c. Dividend *payout.*
    d. Cash credit limit.

14. _______________ refers to the amount invested in various components of current assets.
    a. Temporary working capital b. Net working capital
    c. Gross working capital d. Permanent working capital

15. Cost of capital is the __________ rate of return expected by its investors.
    a. minimum b. maximum c. equal d. higher

16. A fixed rate of ____________ is payable on debentures.
    a. dividend b. commission c. interest d. brokerage

17. ___________ is the distribution of the profits of a company among its shareholders.
    a. Shares b. Interest c. Dividend d. Commission

18.____________ is the minimum required rate of earnings or the cut off rate of capital expenditure.

a. Cost of capital
b. Working capital
c. Equity capital
d. None of the above

19. Net working capital refers to ___________.

a. total assets minus fixed assets
b. current assets minus current liabilities
c. current assets minus inventories
d. current assets

20. Which of the following is traded in a money market?

a. Preference shares
b. Mortgages
c. Treasury bills
d. Common stocks

*****

Unveiling Excellence

University of Science and Technology, Meghalaya

*Date Stamp:*__________

SESSION 2016-17

COURSE______________ PAPER Code:____________

NAME OF THE PAPER:________________________

SEMESTER____________________________________

Instructions to Candidates

1. This answer booklet has 4 pages. Please check before writing whether it is complete or in good condition.
2. Do not write your name anywhere in the answer booklet.
3. Write legibly on both sides of the paper
4. You may use some space for any rough notes or calculation on the answer booklet if you need. These rough notes, calculations must be scored out before submitting the answer booklet.
5. Do not bring any book or loose paper in the examination hall.
6. Do not tear any page from the answer booklet.
7. Do not write anything on the question paper or blotting paper or any pieces of paper while you are in the examination hall.
8. Any act of indiscipline or misbehavior in the examination hall will result in your expulsion.
9. No examinee is allowed to leave the examination hall until 30 minutes lapse after the commencement of the examination.
10. Additional answer sheet will be supplied after the main answer booklet is completed.

For Objective Type Questions

Page No.	Marks
Total	

For Descriptive Type Questions

Question No.	Marks
Total	
Grand Total	

Session: 2016-17

Course_________________

Roll No._________________

Enrollment No.____________

Semester_______________

Name of the Paper__________

____

____

Paper Code_____________

Scrutinizer's Signature

Examiner's Signature

Invigilator's Signature