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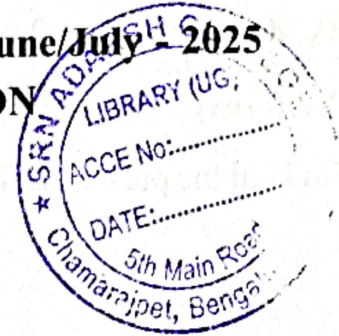
IV Semester B.B.A. Degree Examination, June/July 2025

BUSINESS ADMINISTRATION

Financial Management

(NEP Scheme)

Paper : 4.3



Time : 2½ Hours

Maximum Marks : 60

Instructions to Candidates:

Answers should be written Completely in English only.

SECTION - A

Answer any Five of the following questions. Each question carries Two marks.

(5×2=10)

1. a) State the functions of Finance manager.
- b) What is capital structure?
- c) Mention different forms of Dividend.
- d) What is Annuity?
- e) Give the meaning of profit maximization.
- f) What do you mean by operating profit.
- g) The EBIT is Rs. 30,00,000, Income Tax rate is 38.5% and Intrest is Rs. 5,00,000. Calculate EAT.

SECTION - B

Answer any Four of the following questions. Each question carries Five marks.

(4×5=20)

2. State the Favourable Arguments towards profit maximization.
3. A company has sales of Rs. 60,00,000, variable cost Rs. 40,00,000. Fixed cost of Rs. 5,00,000 and debt of Rs. 30,00,000 at 10% rate of Interest. Calculate operating, Financial and combined leverages.

[P.T.O.]



4. Given the cost of Investment of Rs. 1,00,000 and cash flows for first 3 years are Rs. 10,000 Rs. 40,000 and Rs. 60,000. Express the pay back period in terms of years.
5. Briefly explain Types of Dividend policies.
6. Find out the present value of a five years. Annuity of Rs. 40,000. Discounted at 9 percent.

SECTION - C

Answer any Two of the following questions. Each question carries Twelve marks.

(2×12=24)

7. The following are particulars given for Two Firms.

	Machine H	Machine R
Initial cost	Rs. 1,12,250	Rs. 1, 12, 250
Life	5 years	5 years
Salvage value	Rs. 6,000	Rs. 6,000

Net Annual Income after provision of Depreciation and Tax during 5 years life estimated as below.

Year	Machine	
	H (Rs.)	R (Rs.)
1	6,750	22,750
2	10,750	18,750
3	14,750	14,750
4	18,750	10,750
5	22,750	6,750

At the end of the 3rd year both the machine will be used through overhanding. The charges of overhanding will be Rs. 50,000 in each case. The company uses straight line method of Depreciation. The company cut off rate is 10%. At this rate present value of Rs. 1 is .909, .826, .751, .683 and .621. suggest which of the 2 machine is profitable for the company using NPV method.



8. Explain the motives of Holding cash.
9. Mohith company has a share capital of Rs. 1,00,000 divided into 10,000 equity shares of Rs. 10/- each. It has a major comparison programme requiring an additional capital of Rs. 1,00,000. the management is considering the following alternatives for raising this amount.
- Issue of 10,000 E.S. of Rs. 10/- each.
 - Issue of 12% 10,000 preference shares of Rs. 10/- each.
 - Issue of 12% Debenture to the extent of Rs. 50,000 and Increasing 50,000 through the equity shares of Rs. 10/- each.

The company present EBIT is Rs. 50,000 per year.

Calculate the effect of each of the above modes of financing on the EPS pressuming.

- The EBIT continues to be the same even after expansion.
- the EBIT Increases by Rs. 20,000.

Assume Tax liability at 50%.

SECTION - D

Answer any One of the following question. Each question carries six marks.(1×6=6)

10. Prepare a chart showing organization structure of Finance Department.
 11. Prepare a working capital statement using imaginary values.
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