

S.Y. B.B.A. Examination C.No. 3722

Financial Management P.No. 203

*April - 2016***Time-3 hours]****[Total Marks-100****Q1.** What do you mean by Financial Management also discuss about its objectives in detail. (20)**OR****Q1.** Explain the Scope of Financial Management and discuss its importance. (20)**Q2.** Write a detailed note on Under Capitalization and also describe its Merits and Demerits. (20)**OR****Q2(A).** The Assets of Bahubali Co. Ltd are Rs. 1,60,000 for which funds have been raised as follows:

Debentures Rs. 52,000; Equity shares Rs 90,000 and General reserve Rs 18,000. The company's profit after interest and Taxes for the year ending on 31st march, 2015 is Rs. 13,500. It pays 8% interest on Debentures and pays 50% Tax on profit. Its equity shares are Rs. 100 each and there are 900 shares in all, whose market value is Rs. 120. Find out the weighted Average cost of capital of the company. (15)

Q2(B). Write a short note on Long term sources of Finance. (05)

Q3. A Mineral water company is considering 2 alternative projects having an estimated life of 5 years for "A" and 4 years for "B". The details are as follows. (20)

Particulars	A	B
Purchase price of machine	4,20,000	3,50,000
Machine erection expense	10,000	50,000
Scrap value	30,000	----
Utility years	5	4
Expected rate of income	12%	12%
Income tax rate	50%	50%
Income tax before Depreciation and Tax		
1.	2,00,000	3,00,000
2.	1,60,000	2,00,000
3.	2,80,000	2,80,000
4.	2,40,000	1,20,000
5.	2,20,000	----

Give your comment which machine should be purchased as per the Profitability Index Ratio? Present value of Rs. 1 at 12% is as follows:

1	2	3	4	5
0.893	0.797	0.712	0.636	0.567

OR

Q3. Explain Capital Budgeting. Also explain the Estimation of cash Flow on the basis of Straight Line Depreciation method and Written down depreciation method. (20)

Q4. From the following information, extracted from the books of a manufacturing company, complete the operating cycle in days: **(20)**

Period Covered : 360
Average period of credit allowed by suppliers : 16 days

(Rs in Thousands)

Raw Material Consumption	4,320
Total production cost	9,000
Total cost of sales	10,800
Sales for the year	16,200
Average debtors	450

Value of Average stock maintained:

Raw material	324
Work in progress	350
Finished goods	270

OR

Q4. Write a detailed note on sources of Working Capital. **(20)**

Q5. "Weak Finance Ltd." is thinking to increase the credit period from 45 days to 72 days. At present, the average collection period is 60 days, which is expected to increase up to 90 days. It is also expected that bad debts will increase from the current level of 2% to 4% of sales. The credit sale which is at present 18,000 units is expected to increase to 21,000 units. The average cost per unit is Rs. 15, the selling price is Rs. 20 and the variable cost per unit is Rs. 12. The expected rate of return of the firm is 20%.

State whether the firm should extend the credit policy.

OR

Q5(A). Explain the motives for holding inventory. **(10)**

Q5(B). Explain Cash Budget and the benefits of preparing cash budget. **(10)**