

06 SEP 2019

Exam-Sep-2019
BBA SEM-4
PRINCIPLES OF FINANCE
CODE-20910

TIME: 2.30 hours

MARKS: 70

Q1 What do you mean by financial management ? Explain scope of it. 14

OR

1. Difference between profit maximizing or wealth maximizing. 14

2. Define capital budgeting and state its objectives. Explain net present value. 14

OR

2. Explain bellow method: 14

- Payback Period method
- IRR method

3. What does cost of capital mean? Explain its significance and clarify different concepts of cost of capital. 14

OR

3. Explain with example, how the cost of debt and cost of preference capital are ascertained. what difference do you find in the calculation of both. 14

4. Write Not's on: (any 2) 14

1. Cost of Equity Capital
2. Weighted Average cost of Capital
3. Explicit cost of Capital and Implicit cost of capital.

5. X Ltd. And Y Ltd. Both companies belong to the homogenous risk group. both companies are identical in all respects except that X is a levered company, while Y is an unlevered company. the capital structure of the levered company X includes 12% debentures of Rs.5,00,000. The total assets of both the companies are worth Rs.12,00,000 and both earn 16% return before taxes and interest on their assets. 14

Assuming that capital market is perfect, investors behave rationally, tax rate is 50 per cent and rate of equity capitalization is 15%, compute the following:

- 1) the value of company X and Y on the basis of the Net Income Approach.
- 2) the value of both these companies on the basis of the Net Operation income Approach.

OR

5. "Modigliani-Miller approach is based on unrealistic assumptions." Discuss. 14