



NP – 986

IV Semester B.B.A. Examination, June/July 2025
(NEP Scheme) (F + R)
BUSINESS ADMINISTRATION
4.3 : Financial Management

Time : 2½ Hours

Max. Marks : 60

Instruction : Answers should be written in **English only**.

SECTION – A

Answer **any six** sub-questions. **Each** sub-question carries **two** marks. **(6×2=12)**

1. a) Give the meaning of interim dividend.
b) What do you mean by working capital ?
c) Give the meaning of capital budgeting.
d) Define financial plan.
e) What do you mean by capital budgeting ?
f) Give the meaning of capital structure.
g) Given EBIT Rs. 2,40,000. Tax rate 30%. Find out EPS if number of equity shares are 40,000.
h) What is financial management ?

SECTION – B

Answer **any three** questions. **Each** question carries **four** marks. **(3×4=12)**

2. Explain the uses of adequate working capital.
3. State the functions of financial management.
4. Shreyas Company Ltd. is considering the purchase of new machine. Two alternative Machine R and S have been suggested. Each costing Rs. 6,00,000.

Following are the expected cash inflows :

Year	1	2	3	4	5
Machine R (Rs.)	1,80,000	2,40,000	3,00,000	1,80,000	1,20,000
Machine S (Rs.)	60,000	1,80,000	2,40,000	3,60,000	2,40,000

Calculate payback period.

P.T.O.



5. A firm has sales of Rs. 20,00,000, variable cost of Rs. 4,00,000 and debt of Rs. 10,00,000 at 10% rate of interest.

Calculate :

- 1) Operating leverage
 - 2) Financial leverage
 - 3) Combined leverage if fixed costs are Rs. 3,00,000.
6. State the characteristics of a sound financial plan.

SECTION – C

Answer **any three** questions. **Each** question carries **12** marks. **(3×12=36)**

7. What is dividend policy ? Explain the factors determining dividend policy.
8. Who is finance manager ? What is the role of finance manager in an organisation.
9. What is financial planning ? Explain the factors affecting the financial plan.
10. G.K.V. Company Ltd. has EBIT of Rs. 4,80,000 and its capital structure consists of the following securities :

	Rs.
Equity share capital (Rs. 10 each)	4,00,000
12% preference share capital	6,00,000
14.5% debentures	10,00,000

The company is facing fluctuation in its sales. What would be the percentage changes in EPS ?

- a) If EBIT of the company increased by 25%.
- b) If EBIT of the company decreased by 25%.

The company tax rate is 30%.



11. A company has an investment opportunity costing Rs. 40,000 with the following, net cash flow before depreciation and after tax

Year	Net cash inflow
1	7,000
2	7,000
3	7,000
4	7,000
5	7,000
6	8,000
7	10,000
8	15,000
9	10,000
10	4,000

Using 10% of the cost of capital determine

- a) Payback period
- b) NPV at 10% discount factor

PV factor at 10% is as follows :

Year	1	2	3	4	5	6	7	8	9	10
PV factor at 10%	0.909	0.826	0.751	0.683	0.621	0.564	0.513	0.467	0.424	0.386
