

(Please write your Exam Roll No.)

Exam Roll No. 0261471

END TERM EXAMINATION

FIFTH SEMESTER [BBA/BBA(TTM)] DECEMBER-2008

Paper Code: BBA/BBA(TTM)309

Subject: Financial Management

Paper Id-17309/50309

(Batch: 2004-2006)

Time : 3 Hours

Maximum Marks :75

Note: Attempt five questions including Q.1 which is compulsory. Select one question from each Unit.

- Q1 Explain briefly **any five** of the following:- (3x5=15)
- (a) Loan syndication
 - (b) Commercial paper
 - (c) Project financing
 - (d) Operating leverage
 - (e) Capital rationing
 - (f) Miller and Orr model
 - (g) Residual dividend policy
 - (h) Factoring

UNIT-I

- Q2 A 12 year saving annuity of Rs. 5,000 per year is beginning at the end of current year. The payment of retirement annuity is to begin 16 years from now (the first payment is to be received at the end of year 16) and will continue to provide a 20 year payment annuity. If this plan is arranged through a bank that pays interest @ 10% per year on the deposited funds, what is the size of the yearly retirement annuity that will result? (15)
- Q3 Examine inter-relationship among the investment, financing and dividend decision. (15)

UNIT-II

- Q4 If debt is cheaper source of finance, then why every firm is not intending to borrow very high amount? What factor influence composition of capital structure? (15)
- Q5 'New issue of capital is costlier than the retained earnings'. How and what makes these two to differ? (15)

UNIT-III

- Q6 One out of three mutually exclusive plants A, B and C have to be purchased. The plants are reported to cost Rs. 2,00,000 each and have an estimated life of 5 years, 4 years and 3 years respectively and have no salvage value. The company's required rate of return is 10%. The anticipated cash inflows after taxes are the three plants are as follows:- (15)

Year	Plant A (Rs.)	Plant B (Rs.)	Plant C (Rs.)
1	50,000	80,000	1,00,000
2	50,000	80,000	1,00,000
3	50,000	80,000	10,000
4	50,000	30,000	
5	1,90,000		

Find out pay back, average rate of return, NPV and profitability index.

- Q7 Define cash flows. How is it different from profit? Explain the meaning of incremental cash flows. (15)

UNIT-IV

- Q8 What are the objectives of inventory management? How are they similar to objectives of cash management? (15)
- Q9 Explain briefly the factors which influence the dividend policy of a firm. (15)
