

**TILAK MAHARASHTRA VIDYAPEETH, PUNE**  
**BACHELOR OF BUSINESS ADMINISTRATION (B.B.A.)**  
**EXAMINATION: JUNE - 2022**  
**SEMESTER - III**  
**Sub.: Financial Management (BBA 15-312)**

**Date : 23/06/2022**

**Total Marks : 60**

**Time: 2.00 pm to 4.30 pm**

- Instructions:** 1) The paper consists of two sections I and II.  
 2) All questions are compulsory.

**SECTION - I**

**Q.1 Answer in Detail. (Any three) (30)**

- a. Define Financial Management. Discuss its nature and scope.
- b. Explain the following ratios with imaginary examples of your own.
  - a. Current Ratio
  - b. Debt-Equity Ratio
  - c. Proprietary Ratio
- c. Calculate the Weighted Average Cost of Capital (WACC) from the following information.

Component	Cost
Long Term Debt	6.4%
Equity Shares	13.4%
Pref. Share Capital	14%
Retained Earnings	11%

- d. Calculate the Pay Back period from the following information.  
 Initial Investment = Rs.100000

Cash Flows	Project I Amount in Rs.	Project II Amount in Rs.
1 <sup>st</sup> Year	22,500	36,000
2 <sup>nd</sup> Year	40,000	25,000
3 <sup>rd</sup> Year	29,500	30,000
4 <sup>th</sup> Year	20,000	19,500

Which Project would you recommend and why?

**Q.2 Write short notes: (Any three) (15)**

- a. Capital Structure
- b. Economic Order Quantity
- c. Walter's Model
- d. Compounding Technique
- e. Operating Leverage

**SECTION – II**

**Q. 3 Choose the most appropriate option. (10)**

- 1) The goal of Financial Management is to maximize; \_\_\_\_\_  
a) the profits of the Firm.                                      b) the wealth of the Firm  
c) the wealth of the shareholders                              d) the earning per share.
- 2) The ideal Quick Ratio is; \_\_\_\_\_  
a) 1:1    b) 1:2  
c) 2:1    d) 1:.5
- 3) The Present Value means;  
a) Future Value – Interest                                      b) Future Value only  
c) Interest only    d) All
- 4) Ideal capital structure should include; \_\_\_\_\_  
a) Equity only    b) Debts only  
c) Combination of debt and equity                              d) All the above
- 5) Century Corporation borrowed Rs. 100,000 at 8% interest. The amount of the loan proceeds was Rs. 96,000 and the tax rate is 35 %. What is the cost of debt?  
a) 6.5%    b) 5.9%  
c) 5.8%    d) 5.4%
- 6) A company's preference shares are sold for Rs.80.per share and dividend per share is Rs10.  
What is the cost of the preferred stock?  
a) 12.3%    b) 12.5%  
c) 12.9%    d)12%
- 7) Interest rate change is covered under; \_\_\_\_\_  
a) Project Risk    b) Industry Risk  
c) International Risk    d) Market Risk
- 8) Study of liquidity takes into consideration; \_\_\_\_\_  
a) Gross Working Capital    b) Net Working Capital  
c) Average Working Capital    d) All the above
- 9) Buying up debts or lending money on the security of debts is known as; \_\_\_\_\_  
a) Factoring    b) Cash Credit  
c) Overdraft    d) Bill Finance
- 10) Motive of holding cash by a business is meant for; \_\_\_\_\_  
a) Transaction Motive    b) Precautionary Motive  
c) Speculative Motive    d) All the above

**Q.4. State True / False (5)**

1. Repo involves repetitive agreement.
2. Quick Ratio indicates ability of a firm to pay out its quick liabilities.
3. A firm faces international risk when it takes on projects in its domestic market.
4. The project having the highest payback period should not be accepted.
5. Indian Financial System includes the capital market of the country.