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

Date : 21/12/2022 **Total Marks : 60** **Time: 2.00pm to 4.30pm**

Instructions: 1) All questions are compulsory.
2) Figures to the right indicate full marks.

Q. 1. Choose the most appropriate option. **(05)**

1. Low risk is associated with
   a) High returns b) Low returns
   c) Moderate returns d) None of these
2. Focus of Financial Management is mainly concerned with the decisions relating to:
   a) Investment b) Financing
   c) Dividend d) All of above
3. The most important goal of financial management is:
   a) Profit maximization b) Matching income and expenditure
   c) Using business assets effectively d) Wealth maximization
4. Firm's cost of capital is the average cost of:
   a) All sources of finance b) All borrowings
   c) All share capital d) All bonds & debentures
5. If OL is 1.24 and FL is 1.99, CL would be:
   a) 2.14 b) 2.18
   c) 2.31 d) 2.47

Q. 2. State True / False **(05)**

1. Operating leverage indicates business risk.
   a) True b) False
2. High leverage means high risk.
   a) True b) False
3. Cost of preference shares is denoted by Kr.
   a) True b) False
4. Formula for calculating Operating leverage is EBT÷EBIT
   a) True b) False
5. $FV = PV(1+r)^n$
   a) True b) False

Q. 3. Write Short notes on (Any Three) **(15)**

1. Difference between revenue expenditure and capital expenditure
2. Three approaches to find cost of equity capital
3. Difference between redeemable and irredeemable debt and formula to calculate cost of capital under both

4. A company saves tax when debt portion is there in the capital structure. Explain with example.
5. Similarities and differences between debentures, bonds and term loan

Q. 4. Answer in detail (Any Two) (20)

1. Explain in detail the role of finance manager.
2. What are the steps to calculate NPV of a project? Also state the decision rule. Take a simple example of your own and show the calculation of NPV.
3. List down different traditional and modern techniques of capital budgeting/ investment decisions.

Q. 5. Case study (Any One) (15)

1. A company issued 10000, 10% debentures of Rs. 100 each at premium on 1.4.2017 to be matured on 1.4.2022.The debentures will be redeemed on maturity. Compute the cost of debentures assuming 35% as tax rate.

2. A firm's details are as under:

Sales (@ Rs. 100 per unit)	Rs. 2400000
Variable cost	50%
Fixed cost	Rs. 1000000

It has borrowed Rs. 1000000 @ 10% p.a. and its equity share capital is Rs. 1000000 (Rs. 100 each) Consider tax @ 50%.

Calculate:

1. Operating Leverage
2. Financial Leverage
3. Combined Leverage