

B.B.A. LL.B. (FIVE YEAR DEGREE COURSE) (CBCS - 2015 COURSE)
B.B.A. LL. B. Sem - VI : WINTER : 2024
SUBJECT: FINANCIAL MANAGEMENT

Day : Wednesday
Date : 23/10/2024

W-12551-2024

Time : 02:00 PM-04:30 PM
Max. Marks : 60

N.B.

- 1) All questions are **COMPULSORY**.
- 2) Figures to the **RIGHT** indicate **FULL** marks.
- 3) Use of non-programmable calculator is allowed.

Q.1 A) Explain the concept of Capital Structure. Discuss the impact of Cost of Capital on Capital Structure. (12)

OR

Q.1 B) Calculate the Operating, Financial & Combined Leverages for the following firms. (12)

Particulars	Firm P	Firm Q	Firm R
Installed Capacity (units)	80,000	1,00,000	95,000
Utilized Capacity	50%	60%	80%
Fixed Cost (Rs)	8,00,000	9,50,000	6,65,000
Variable Cost (Rs/unit)	10	12	11
Interest (Rs.)	60,000	75,000	—
Selling Price (Rs/unit)	40	35	25

Q.2 A) Write short notes on : (12)
i) Present Value Compounding Techniques
ii) Payback Period Method of Capital Budgeting

OR

Q.2 B) Prepare Cashflow Statement of Arvind Ltd. from the following information (12)
for the period ended 31st March 2022.

- i) Received from Customers Rs. 60,000.
- ii) Paid to Suppliers Rs. 85,000.
- iii) Expenses paid – Wages Rs. 12,000, Overheads – Rs. 5,500.
- iv) The Company sold goods worth Rs. 2,18,000 through online mode. All sales were cash sales.
- v) The Company purchased Rs. 24,000 worth goods on credit & Rs. 76,800 worth goods by making a cheque payment.
- vi) Plant amounting to Rs. 1,80,000 was purchased by making a bank payment. Installation charges paid in cash were Rs. 9,000.
- vii) Received Dividend Rs. 4,500 and Interest on FD Rs. 2,000.
- viii) Company received a subsidy of Rs. 45,000 from the government for setting up factory in backward region.
- ix) Received Rent Rs. 10,200 and Income tax paid Rs. 9,000.
- x) Shares of face value Rs. 100 issued and amount received is Rs. 1,47,000.
- xi) Preference Share value is Rs. 1,00,000. 10% Preference Dividend has been paid during the year.
- xii) Debentures repaid Rs. 95,000.
- xiii) Loan repaid Rs. 73,000. Interest on loan Rs. 3,200 was paid during the year.
- xiv) Vehicle whose written down value was Rs. 95,000 was sold for Rs. 85,100.
- xv) The Opening Balance of Cash and Cash Equivalents is Rs. (6,300).

PTO

Q.3 A) Explain the concept of Valuation. State the need for Valuation. (12)

OR

Q.3 B) i) Your dad purchases a car of Rs. 6,50,000. He pays Rs. 50,000 in cash as down payment and for the balance he takes a loan. The loan has to be repaid in equal installments over a period of 20 years. The interest payable on the loan is at 12% p.a. compounded annually. What is the amount of each installment? (06)

ii) Indu invest Rs. 67,400 in a scheme paying her 4% compounded quarterly for a period of 3 years. The interest received from the above scheme is invested by her in a second scheme paying her 6% compounded semi-annually for 2 years. What is the total amount of interest that she received from both the investments? What is the amount of maturity of the 2nd investment? (06)

Q.4 A) Distinguish between Cashflow Statement and Funds Flow Statement. (12)

OR

Q.4 B) PNGC Ltd. is considering setting up a new plant. It is anticipated that the new plant would cost Rs. 25,00,000 investment. After tax cash inflows are Year 1 – Rs. 5,75,000, year 2 – Rs. 6,90,000, Year 3 – Rs. 7,75,000, year 4 – Rs. 8,25,000 & Year 5 – Rs. 9,00,000. If the Cost of Capital of the Company is 16%, evaluate whether the Company should accept or reject the project using Internal Rate of Return (IRR) method. Assume 10% & 15% as Discounting Rates for calculations. (12)

Q.5 A) Explain the 'Theory of Relevance' with regards to the relationship between 'Dividend' & 'Market Value of Shares'. (12)

OR

Q.5 B) Following is the Balance Sheet of National Company as on 31st March 2021 and 31st March 2022. You are required to prepare the Funds Flow Statement alongwith the required working notes : (12)

Balance Sheet

Liabilities	2021 (Rs.)	2022 (Rs.)	Assets	2021 (Rs.)	2022 (Rs.)
Share Capital	5,00,000	7,00,000	Land & building	80,000	1,20,000
Profit & Loss A/c	1,00,000	1,60,000	Plant & Machinery	5,00,000	8,00,000
General Reserve	50,000	70,000	Stock	1,00,000	75,000
Sundry Creditors	1,53,000	1,90,000	Debtors	1,50,000	1,60,000
Bills Payable	40,000	50,000	Cash	20,000	20,000
Expenses O/S	7,000	5,000			
	8,50,000	11,75,000		8,50,000	11,75,000

Adjustments :

- Rs. 50,000 depreciation charged on Plant and Machinery.
- A piece of Machinery was sold for Rs. 8,000 during the year. Its cost was Rs. 12,000 and depreciation provided on it was Rs. 7,000.
