



**AJ-5421**      Seat No. \_\_\_\_\_  
**Second Year B. B. A. Examination**  
**March / April - 2016**  
**Financial Management**  
*(Old Course)*

Time : 3 Hours] [Total Marks : 100

**Instructions :**

- (1) Present / Future Value Table will be provided on request.
- (2) Figures to the right indicate marks of the question.
- (3) Show Calculations as a part of the answer.

1 Define Financial Management. What are its main functions ? 20

QR

**1** Explain the concept of "Profit Maximization" and "Wealth Maximisation" and compare and contrast these two objectives. **20**

**2** Write details note on merger and Acquisitions. **20**

QR

**2** Define Capital Structure. Explain over and under Capitalisation with its causes and remedies. **20**

**3** Write on : **20**  
(a) CRISIL  
(b) Tandon Committee.

OR

**3** What is meant by working Capital Management ? **20**  
What are the determinants of working Capital needs of an enterprise ?

4 What do you mean by Capital Budgeting ? Write a procedure of Capital budgeting and explain Pay-back period method and profitability index method. 20

OR

4 Shyam Sundar Ltd. Is Considering building an assembly Plant and the Company has two options. Out of which it whishes to choose the best Plant. The Projected output is 10,000 per per month. The following data are available : 20

	<i>Plant A</i>	<i>Plant B</i>
- Initial Cost	Rs.	Rs.
- Direct Labour Cost p.a. ....	30,00,000	22,00,000
(I <sup>st</sup> Shift) ....	15,00,000	7,50,000
(II <sup>nd</sup> Shift) ....	- ....	9,50,000
- Overhead (Per Year) ....	2,50,000	2,10,000

Both the Plants have an expected life of 10 years after which there will be one Salvage Value. The Cost of Capital is 10%. The Present Value of an ordinary annuity of Rs. 1 for 10 years @ 10% Rs. 6.1446.

Ignore effects of taxation.

You are required to determine :

- What Would be the desirable choice, and
- What other important elements are to be considered before final decision is taken.

**5** Write on : (any two) **20**

- EVA
- Management of Cash.
- Fund flow Statement and Cash flow Statement.
- ADR and GDR as a source of finance.
- Level of inventory.

**OR**

**5** The following figures relate to two companies : **20**

	<i>Rs. in Lakhs</i>	
	<i>P Ltd</i>	<i>Q Ltd</i>
- Sales	500	1,000
- Variable cost	200	300
Contribution	<b>300</b>	<b>700</b>
- Fixed Costs	150	400
Earning before Int and Tax	<b>150</b>	<b>300</b>
- Interest	50	100
Profit before Tax	<b>100</b>	<b>200</b>

You are required to :

- Calculate the operating, Financial and Combined Leverage for the two companies and
- Comment on their relative risk position.