(Please write your Exam Roll No.) Exam Roll No. ....

END TERM EXAMINATION

SECOND SEMESTER (LLB)] JULY-2023

Paper Code: BBALLB-116	Subject: Financial Management

Time: 3 Hours **Maximum Marks:75**

Note: Attempt five questions in all including Q. no.1 which is compulsory. Select one question from each unit.

Part – A

Q1 Answer all of the following questions: **(5x5=25)**

(a) Explain modern approach of financial management.

(b) Distinguish between ARR and IRR.

(c) Explain Arbitrage Process as per MM theory of capital structure?

(d) What is economic order quantity?

(e) What is capital rationing?

Part-B

Unit – I

Q2 Define financial management. What are the important functions of financial management? What is its relationship with Economics and Accounting disciplines. **(12.5)**

Q3 (a) Explain the concept of an annuity. What is the difference between a deferred annuity and annuity due? **(4.5)**

(b) Sunita has taken a loan of Rs. 500000 for 5 years from her employer for purchase a new home. The interest rate on loan is 6% p.a. What shall be the estimated monthly instalment if instalment is paid at the end of the month? **(4)**

(c) Ramesh deposits Rs. 10000 at the end of every month in post office. What shall be the value after 7 years if the rate of interest on deposit is 8% p.a. and interest is compounded annually? **(4)**

Unit – II

Q4 What are the different phases of capital budgeting decisions? How capital budgeting decisions are different from working capital related decisions? **(12.5)**

Q5 A company is considering investing a sum of Rs. 500000 in a project. The project is expected to last for 7 years. The expected cash flows after tax from the project are given below:

Year	Cash Flows (in Rs.)
1	120000
2	140000
3	200000
4	150000
5	80000
6	60000
7	90000

P.T.O.

There is no expected salvage value of the project. You are required to find out

(a) Payback period of the project (2)
(b) NPV of the project at 10% cost of capital (4)
(c) Profitability Index (2)
(d) IRR of the project (4.5)

Unit – III

Q6 What are NI and NOI approaches of capital structure given by Durand? What are the basic premise of two theories? What do these theory explain about the capital structure decisions? (12.5)

Q7 What is the meaning of cost of capital? What is the significance of cost of capital computation for various financial decisions. How the specific costs of equity and debt are different from each other? Explain with the help of an example. (12.5)

Unit – IV

Q8 What is the importance of credit policy? How are credit policy decisions taken in a firm? How do these decisions affect the liquidity and profitability of a firm? (12.5)

Q9 (a) What are the motives for holding cash? Explain Baumol's Model of cash management. (6.5)

(b) What are the factors which affect the working capital related decisions of a firm? (6)

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(Please write your Exam Roll No.)   Exam Roll No. ....

END TERM EXAMINATION

SECOND SEMESTER [LLB] JULY 2023

Paper Code: BBALLB114	***Subject: Financial Management***
(BATCH 2014 ONWARDS)	

Time: 3 Hours   ***Maximum Marks: 75***

Note: Attempt five questions in all including Q.No.1 of Part-A which is compulsory. Select one question from each unit of Part-B.

PART–A

Q1 Answer all of the following questions: **(3x5=15)**

(a) What are agency costs

(b) What are the reasons for conflict between IRR and NPV methods of capital budgeting decisions?

(c) What is financial distress?

(d) Distinguish between right shares and bonus shares

(e) What is factoring?

PART-B

UNIT–I

Q2 Define financial management. What are the important objectives of financial management? Which objective is considered to be most appropriate? Give reasons. **(15)**

Q2 a) What are the reasons for considering time value of money in all financial decisions? **(5)**

b) Mohan deposits Rs. 3000 at the end of every month in a bank. What shall be the value after 5 years if deposit interest rate is 10% p.a. and interest is compounded half yearly? **(5)**

c) You have taken a loan of Rs. 500000 for 5 years on the purchase of a new car. The interest rate on loan is 10% p.a. What shall be the estimated monthly instalment if instalment is paid at the end of the month? **(5)**

UNIT–II

Q3 Why do we say that capital budgeting decisions are vital for a firm? What are the salient features of capital budgeting decisions? Why are capital budgeting decisions considered more difficult in comparison to working capital management? **(15)**

Q4 A company is considering investing a sum of Rs. 1000000 in a project. The project is expected to last for 5 years. The expected cash flows after tax from the project are given below:

Year	Cash Flows (in Rs.)
1	350000
2	480000
3	500000
4	250000
5	120000

P.T.O

There is no expected salvage value of the project. You are required to find out

1. Payback period of the project (3)
2. NPV of the project at 10% cost of capital (4)
3. Profitability Index (2)
4. IRR of the project (6)

UNIT–III

Q5 What is the meaning of leverage? What are different types of leverage in financial management? Why is a levered firm considered to be riskier? Explain with the help of an illustration. (15)

Q6 "Dividend decisions are residual decisions." Elucidate this statement. What are the main determinants of dividend policy for a business firm? (15)

UNIT–IV

Q7 What are the objectives of inventory management? Discuss various methods of effective inventory control in a business. (15)

Q8 What are the different approaches of working capital management? Which one is considered more appropriate? Give reasons to justify your answer. (15)

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END TERM EXAMINATION

SECOND SEMESTER [LLB] NOVEMBER-2020

Paper Code: BBALLB-114	Subject: Financial Management

Time: 2 Hours Maximum Marks: 75

Note: Attempt any three questions. All questions carry equal marks.

Q1 How would you view Financial Management as a science or as an art? Discuss the objectives of financial management.

Q2 (a) What is the net present value of an investment if the investment gives return of Rs 4500 per year in perpetuity at 9% p.a.

(b) The fixed deposit scheme of Indian Bank offers 10% interest for a three year deposit. If the compounding is done semi-annually then what is the effective rate of interest?

(c) A person took a loan of Rs 10000 on January 1, 2020. At the end of every month he pays Rs 1000 for 12 months so that his loan will be repaid by December 31, 2020. Find out implied interest rate per annum.

Q3 What do you understand by agency cost? How do you determine agency cost in the context of financial management? Give suitable examples to explain the concept.

Q4 A firm can invest Rs 10000 in a project with a life of three years. The projected cash inflows are : Year1 Rs. 4000, Year 2- Rs 5000 and Year 3 Rs 4000. The cost of capital is 10% p.a. Find out NPV and decide, whether the investment be made? Compute, IRR and profitability Index also.

Q5 What do you understand by cost of capital? How is it computed for equity and debts? How the weighted average cost of capital can be computed from the specific cost of different components of capital? Explain with the help of an example.

Q6 What is the meaning of 'Capital Structure'? What are the important factors to be considered in planning the capital structure of a company?

Q7 Explain the concept of working capital and mention the important objectives of working capital.

Q8 Write a short note on following:-

(a) Motives for holding cash

(b) Concept of Factoring

(c) Types of leverages

(d) Determinants of dividend policy.

(e) Walter model of dividend.

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Exam Roll No. ....

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END TERM EXAMINATION

SECOND SEMESTER [LLB] MAY - 2017

Paper Code: BBALLB-114	**Subject: Financial Management**
Time: 3 Hours	**Maximum Marks: 75**

Note: Attempt any five questions. All questions carry equal marks.

Q1 What do you mean by Financial Management? Explain its functions and discuss its relationship with other disciplines.

Q2 (a) What is time value of money? What are the reasons for it?
(b) Make a distinction between profit maximisation and wealth maximisation objectives of financial management.

Q3 A company is considering an investment proposal to purchase a machine costing Rs. 50,000. The Machine has a life expectancy of 5 years and no salvage value. The company's tax rate is 35%. The company uses straight line method for providing depreciation. The estimated cash flows before depreciation and tax (CFBT) from the machine are as follows:

Year	CFBT (Rs.)
1	10,000
2	10,692
3	12,769
4	13,462
5	20,385

Compute the following:-
(a) Average rate of return
(b) Payback period
(c) Net present value at 10% discount rate
(d) Profitability index at 10% discount rate
(e) Internal rate of return

PV of Rs.1 at 10% discounting rate are as follows:

Year	1	2	3	4	5
PVF	0.909	0.826	0.751	0.683	0.621

Q4 Write short notes on the following:-
(a) Importance of Capital Budgeting
(b) Difference between accounting rate of return and internal rate of return?
(c) Kinds of capital budgeting decisions.

Q5 What do you mean by capital structure? Explain the factors affecting the capital structure.

Q6 What is meant by weighted average cost of capital? How is it computed? Illustrate with an example.

Q7 Compute working capital requirements from the following details:

Budgeted Sales	20,000 units per annum
	Rs.
Raw material cost per unit	8
Direct Labour per unit	8
Overhead per unit	2
Total cost per unit	18
Profit per unit	2
Selling price per unit	20

Additional Information:-
(a) Raw material will be carried in stock for 4 weeks and finished goods for 2 weeks.
(b) Factory processing will take 3 weeks on an average.
(c) Suppliers provide 6 weeks credit; and
(d) Debtors are allowed 8 weeks credit.

Assume Labour and overhead expenses to accrue evenly throughout the production cycle.

Q8 Discuss the factors that affect the levels of cash receivables and inventories in a manufacturing firm.

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END TERM EXAMINATION 29

SECOND SEMESTER [LLB] MAY-JUNE-2015

Paper Code: BBALLB114	Subject: Financial Management (2014 Batch)
Time: 3 Hours	Maximum Marks: 75

Note: Attempt any five questions.

Q1 Define financial management. What are its objectives? (15)

Q2 (a) Describe the relevance of time value of money in financial decision-making? (7.5)
(b) What do you understand by agency cost? How a trade off can be established between Client-Agency conflict? (7.5)

Q3 What is capital budgeting? State the significance of capital budgeting function in an organization facing financial crunch. Give a brief explanation of techniques used for analyzing a capital budgeting decision. (15)

Q4 (a) A machine costs Rs.7500000. It generates cash flows RS.2000000 for each year for 5 years. Machine B costs Rs.5000000 and generates a cash flow of Rs.1400000 P.a. for 5 years. Required rate of return is 10%. Calculate NPV of both the machines. Which one should be acceptable?
PV values at 10% for five years are 0.909, 0.826, 0.753, 0.683, 0.621. (10)
(b) Distinguish between NPV and IRR methods of Capital Budgeting. (5)

Q5 What are the components of capital in a company? State the steps in computation of weighted average cost of capital with the help of an illustration. (15)

Q6 What is dividend? What are its determinants? Why do companies pay dividends? (15)

Q7 Distinguish between the following:- (3x5=15)
(a) Gross and Net Working Capital
(b) Hedging and Conservative approach of Working Capital Estimation.
(c) Permanent and Temporary Working Capital.
(d) Carrying cost and Holding cost.
(e) Economic Order Quantity and Ordered Quantity.

Q8 What is the meaning of debtors management? What are its advantages? Explain various techniques to speed up the mobilization of cash from debtors. (15)

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SUPPLEMENTARY EXAMINATION 51

THIRD SEMESTER [LLB] SEPTEMBER-OCTOBER 2014

Paper Code: BBALLB-217	Subject: Financial Management
Time: 3 Hours	Maximum Marks: 75

Note: Attempt any five questions.

Q1 "Maximization of profits is regarded as the proper objective of investment decision, but it is not as exclusive as maximizing shareholder's wealth". Comment. (15)

Q2 What are the various sources of finance for a company? Explain factors that determine the choice between debt capital and equity capital. (15)

Q3 What is an Optimal Capital Structure? Explain briefly various theories of capital structure. (15)

Q4 Explain the concept of Operating Leverage and Financial Leverage. What is the importance of financial leverage in decision making? (15)

Q5 Discus the various forms of dividend. Are dividends irrelevant? Discuss in light of various theories of dividend. (15)

Q6 What is inventory management? Explain various tools and techniques for inventory management. (15)

Q7 Write short notes on the following:- (2x7.5=15)

(a) Discounting principle

(b) Valuation of Equity Shares

Q8 Discuss various techniques of Capital Budgeting, also mention their relative merits and demerits. (15)

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END TERM EXAMINATION

THIRD SEMESTER [LLB] DECEMBER 2014

Paper Code: BBALLB217 | Subject: Financial Management

Time: 3 Hours | Maximum Marks: 75

Note: Attempt any five questions.

Q1 What is Financial Management? What are its objectives? How is it related with the field of accounting and economics? (15)

Q2 Explain **any three** the following:- (3x5=15)

(a) Book Building

(b) Venture Capital

(c) Credit rating

(d) Global Depository Receipts

Q3 Discuss various theories of relevance and irrelevance in capital structure decision. (15)

Q4 What is dividend policy? What are its determinants? Discuss Walter model of dividend citing its assumptions. (15)

Q5 What do understand by working capital? Discuss various approaches of it. (15)

Q6 What is leverage? Explain various types of leverage and their significance. (15)

Q7 Write short notes on the following:- (2x7.5=15)

(a) Time value of money

(b) Decision tree

Q8 From the following information calculate the net present value of the two projects and suggest which of the two projects should be accepted assuming a discount rate of 10%. (15)

	Project X	Project Y
Initial investment	Rs. 20,000	Rs. 30,000
Estimated Life	5 years	5 years
Scrap Value	Rs. 1,000	Rs. 2,000

The profits before depreciation and after taxes (cash flows) are as follows:

	Year 1	Year 2	Year 3	Year 4	Year 5
	Rs.	Rs.	Rs.	Rs.	Rs.
Project X	5,000	10,000	10,000	3,000	2,000
Project Y	20,000	10,000	5,000	3,000	2,000

Present Value table – of Re.1 @10% (discount factor)

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