

**BBA 181302**

BINA CHOWDMURY CENTRAL LIBRARY  
(GIMT & GIPS) <  
Azim. Haktawapara,  
Gowhat - 781017

Roll No. of candidate

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11/3 / 2021

**B.B.A. 3<sup>rd</sup> Semester End-Term Examination**

**FINANCIAL MANAGEMENT**

**(New Regulation)**

Full Marks – 70

Time – Three hours

The figures in the margin indicate full marks for the questions.

Answer question No. 1 and any *four* from the rest.

1. Choose the correct answer: (10 × 1 = 10)
- (i) Which of the following is a short-term financing decision?
- (a) Investment decision
  - (b) Financing decision
  - (c) Dividend decision
  - (d) Working Capital decision
- (ii) The dividend that is paid in the middle of a financial year when the company earns enough profit is called.
- (a) Annual dividend
  - (b) Interim dividend
  - (c) Both
  - (d) None of the above
- (iii) What is the basic objective/goal of the finance function?
- (a) Profit maximisation
  - (b) Shareholders' wealth maximisation
  - (c) Both
  - (d) None of the above

[Turn over

- (iv) Quick assets do NOT include
- (a) Inventories (b) Debtors  
(c) Cash (d) None of the above
- (v) In capital budgeting decision, which of the following evaluation methods determine the number of years required to recover initial investment.
- (a) Net Present Value (b) Internal Rate of Return  
(c) Benefit-cost Ratio (d) Payback period
- (vi) In order to calculate EPS, Profit after Tax less Preference Dividend is divided by:
- (a) Market Price of Equity Shares  
(b) Number of Equity Shares  
(c) Face Value of Equity Shares  
(d) None of the above
- (vii) In finance, working capital' means the same thing as
- (a) Total assets  
(b) Fixed assets  
(c) Current assets  
(d) Current assets minus current liabilities
- (viii) An issue for the distribution of shares free of cost to the existing shareholders is called \_\_\_\_\_
- (a) Equity shares (b) Rights shares  
(c) Bonus shares (d) None of the above
- (ix) What category of financial ratios is employed to evaluate the efficiency with which the firm manages and utilises its assets?
- (a) Current Ratio (b) Activity/Turnover Ratio  
(c) Leverage Ratio (d) Profitability Ratio
- (x) What term is used for the capital that is required to maintain the minimum level of working capital in a firm?
- (a) Temporary working capital (b) Permanent or fixed working capital  
(c) Net working capital (d) None of the above

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2. (a) 'Finance is the life blood of a business organisation'. In the light of the above statement, state the importance of finance in a business organisation. (7)
- (b) Discuss the finance decisions managers need to make in a present-day organisation. (8)
3. (a) What are the reasons that can be attributed to an individual's time preference for money? (5)
- (b) You have two options (i) make a fixed deposit of Rs.1,000 in Best Bank for five years, the annual interest rate is 10 per cent compounded annually (ii) signature of the Poper Setter Signature of the Moderator lend Rs.1,000 for five year to Vijay, who promises to pay a simple interest of 20 per cent. Which option are you going to opt for? Why? (5)
- (c) Consider that an investor has an opportunity to receiving Rs.1,000, Rs.2,000, Rs.800, Rs.5,000 and Rs.1,000 respectively at the end of each year over a period of 5 years, If the investor's rate of return is 10 per cent per annum, calculate the present value of this stream of cash flows. (5)
4. (a) How does the use of ratio help in financial analysis? (3)
- (b) From the following information presented by a firm for the year ended March 31, 2020, prepare the following Balance Sheet – (12)

Estimated Annual Sales - Rs. 2,00000

Sales to Share Capital -2.5

Current Liabilities to Share Capital - 25%

Total Debt to Share Capital - 60%

Current Ratio -3.6

Net Sales to Inventory - 4 times

Average Collection Period - 36 days (A year = 360 days)

Fixed Assets to Share Capital - 70%

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Balance Sheet as on March 31, 2020

Owner's Equity and Liabilities	Amount (in Rs.)	Assets	Amount (in Rs.)
Share Capital	--	Fixed Assets	--
Total Debts		Current Assets	--
Long-term Loans	--	Inventory	--
Current Liabilities	--	Debtors	--
		Cash at Bank	--
Total	_____	Total	_____

5. (a) 'Debt is the cheapest source of fund'. Explain. (3)
- (b) Do you think the capital budgeting decisions are vital for a firm? If so, why? (5)
- (c) Evaluate an investment proposal for which, the following details are given below – (7)

Initial Quality	Rs.1,18,720
Net Cash Inflow:	
End of the year 1	Rs.1,00,000
2	Rs.20,000
3	Rs.10,000
4	Rs.10,000

The firm can arrange necessary funds at 8 per cent. Compute NPV of the project proposal.

6. (a) Define dividend. What are the different types of dividend a company can declare? (2+3=5)
- (b) Compare between bonus issue and rights issue. (5)
- (c) Explain the concept of Working Capital? Also distinguish between permanent and variable working capital. (2+3=5)
7. Write short notes on (Any THREE) (3 × 5 = 15)
- (a) Financial goal
- (b) Sources of Long-term funds for a business organisation
- (c) Weighted average cost of capital
- (d) Stock split and share buyback
- (e) Sources of working capital.

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