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B.B.A.[HONOURS][ITM] – III[rd] Semester

Saturday, 9[th] January, 2021

Session: Morning Time: 10:00 a.m. TO 12:00 p.m.

Subject Code: UM03DBBI53

Subject: Financial Management & Services - I

Total Marks: 60

Answer any 4 questions out of 8 questions

Q 1 Discuss the significance and goals of financial management. [15]

Q 2 Briefly discuss the causes and remedies of under-capitalization. [15]

Q 3 Explain the features and significance of capital budgeting. [15]

Q 4 A company is considering an investment proposal to purchase a machine costing Rs.2,50,000. The machine has a life expectancy of 5 years and no salvage value. The company's tax rate is 40%. The firm uses straight line method of depreciation. The estimated cash flows before tax and after depreciation(CFBT) from the machine are as follows: [15]

Year	CFBT(Rs)
1	60,000
2	70,000
3	90,000
4	1,00,000
5	1,50,000

Calculate:

1. Pay-back period
2. Average rate of return
3. Net Present Value at 10% discount rate

Q 5 Write a note on: [15]

1. Causes for financial innovation
2. Challenges facing the financial service sector

Q 6 Explain in brief the capital market instruments. [15]

Q 7 Explain the various concepts of cost and the significance of cost of capital in financial management. [15]

Q 8 Compute the cost of capital in each of the following cases from the information given below: [15]

- 10% Debentures with a face value of Rs. 1000. The market price of a debenture is Rs. 950, tax rate of 35%
- The current market price of V Ltd.'s equity share is Rs.64. The company had paid dividend of Rs.8 per share last year which is expected to grow at 5% p.a.
- A ten year 14 per cent debenture of Rs 2,000, redeemable at par, with 5 per cent flotation costs.
- A ten year 14 per cent preference share of Rs 100, redeemable at premium of 5 per cent, with 5 per cent flotation costs.
- Preference share with a face value of Rs. 100. The annual dividend is Rs. 6 per share. The preference share is currently selling at Rs. 60 per share.

-x-x-x-x-x-x-x-x-