

**Bachelor of Business Administration  
Annual Examinations – 2006**

**Paper BBAD - 402  
Financial Management**

Time allowed: Three hours

Maximum Marks: 100

*Attempt all sections as per instructions*

**SECTION – I**

Marks

Q1. Attempt all questions.

1X20=20

- a) The term permanent working capital also referred as \_\_\_\_\_.
- i) Fixed Working Capital                      ii) Variable working capital  
iii) Core Current Assets                      iv) Services of Fund
- b) The technique of long term planning for proposed capital outlays and their financing is known as \_\_\_\_\_.
- c) The minimum rate of return expected of a capital investment project is called as \_\_\_\_\_.
- d) One of the following is not a mutual fund generator
- a) ONGC      b) LIC      c) UTI      d) SBI
- e) Where is the Head office of National Stock Exchange (NSE) \_\_\_\_\_.
- f) Karta is head of a
- i) Family      ii) Hindu Undivided family      iii) Company      iv) Firm
- g) The traditional approach of financial management is mainly focused on
- i) Business Finance                                      ii) Corporate Finance  
iii) Industrial Finance                                      iv) General Finance
- h) Financial management is refers to
- i) Branch of finance                                      ii) Applied Economics  
iii) Branch of investment                                      iv) Branch of Business
- i) Financial management is the applications of \_\_\_\_\_ principles to particular financial operations.
- i) General Management                                      ii) Productions Management  
iii) Marketing Management                                      iv) Export Management
- j) The functions of finance is to make \_\_\_\_\_ utilization of funds
- i) Effective                                      ii) Proper  
iii) Both i) and ii)                                      iv) None of these



### SECTION – III

Q3. Attempt any five questions in about 300-400 words.

5X10=50

- i) How does Financial Information helps other departments to carry out their task?
- ii) Describe in detail about Project Evaluation under risk and uncertainty.
- iii) Shell Corp. is considering buying a machine with an initial cost of Rs. 1,50,000 and an economic life of three years. The machine is expected to allow the firm to increase production so that sales revenue will rise by Rs. 1,20,000 per year and operating expenses by Rs. 35,000 per year. The firm's marginal Tax – Rate is 40% and its cost of capital is 18%. The machine will have a zero market value after 3 years. If the Firm depreciation the machine for Tax purpose on a straight line basis to a zero salvage value over its three years life, what is the incremental operating cash flow for the project? What is the project's NPV?
- iv) Describes the differences between two discounted methods of evaluation?
- v) Describe in detail about the importance of short term Funds management?
- vi) What are the important factors which influences the working project?
- vii) What are the factors which affects the Dividend Policies?
- viii) Write down the advantages and disadvantages of share repurchases?
- ix) What are the commonly used sources of short – term borrowings? What are the inherent risks faced by Banker's and what safeguards do they employ to ensure recovery of their dues?
- x) Rupesh, credit manager of X company is considering a change in the company's credit terms from net 60 to net 30. X company has daily credit sales of Rs. 50,000 and its variable cost ratio is 15 %. Tightening credit standards would reduce the average collection periods from 15 to 40 days, reduce daily sales by Rs. 2,000, and lower had debts from 5% of sales to 3% of sales. The company marginal Tax rate is 40% and its uses an after tax discount rate of 12% to evaluate accounts receivable policy changes. How would the change in credit terms affect X company's after – tax income?