



**NAW-010-001402** Seat No. \_\_\_\_\_

**B. B. A. (Sem. IV) (CBCS) Examination**

**March / April - 2017**

**402 : Financial Management - II**

**Faculty Code : 010**

**Subject Code : 001402**

Time :  $2\frac{1}{2}$  Hours]

[Total Marks : 70

1 Define the term working capital. Discuss determinants of working capital. 14

**OR**

1 Explain concepts of working capital. Also discuss major sources of financing working capital requirement of a firm. 14

2 Explain objectives of cash management. Also discuss cash budget as a tool of cash management. 14

**OR**

2 Discuss ABC and EOQ as techniques of inventory management. 14

3 Define the term cost of capital. Explain the calculation of WACC (weighted average cost of capital), mainly highlighting the types of weights used for the calculation. 14

**OR**

3 The following is an extract from the Balance Sheet of PQR Ltd. as on 31<sup>st</sup> March, 2015 : 14

Ordinary shares of Rs. 10 each	52,00,000
Reserves	48,50,000
9% Preference shares Rs. 100 each	45,00,000
14% Debentures	50,00,000
<b>Total long-term funds</b>	<b>1,95,50,000</b>

The ordinary shares are quoted at Rs. 16. Assume that the market estimate of the next ordinary dividend is Re. 0.80, growing thereafter at 12% p.a. infinitely. The preference shares, which are irredeemable, are quoted at Rs. 72 and the debentures are quoted at par. Corporation tax is 33%. Calculate weighted average cost of capital of the firm.

- 4 What is over capitalization? What is under capitalization? 14  
Discuss causes, effects and remedies of over capitalization.

**OR**

- 4 XYZ Ltd. has currently an all equity capital structure 14  
consisting of 15,000 equity shares of Rs. 100 each. The management is planning to raise another Rs. 25 lakhs to finance a major expansion programme and is considering three alternative methods of financing :
- (a) To issue 25,000 equity shares of Rs. 100 each
  - (b) To issue 25,000, 8% debentures of Rs. 100 each
  - (c) To issue 25,000, 8% preference shares of Rs. 100 each.

The company's expected EBIT will be Rs. 8 lakhs. Assuming a corporate tax rate of 46 percent, determine the EPS in each financial plan and determine the best one.

- 5 Write a detailed note on venture capital and lease 14  
financing.

**OR**

- 5 Discuss various new instruments of finance. 14