



**DCY-19BBA306**

Seat No. \_\_\_\_\_

**B.B.A. (Sem. III) Examination**

**July – 2022**

**Financial Management**

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

[ Total Marks : 70

- 1 (a) What is financial management ? Discuss modern approach to the scope of financial management. 10
- (b) Write a detailed note on the concept of time value of money. 10

**OR**

- 1 Discuss profit maximization and wealth maximization as objectives of financial management. 20
- 2 Explain equity shares and retained earnings as sources of finance highlighting their characteristics, merits and demerits. 20

**OR**

- 2 Write a detailed note on lease finance and venture capital financing. 20
- 3 Discuss meaning, causes, effects and remedies of under capitalization in detail. 15

**OR**

- 3 (a) What is capital structure ? Discuss the concept of ideal capital structure. 5

- (b) Superpower Limited is considering the financing plans. **10**  
The key information is as follows :

(a) Total funds to be raised, Rs. 2,00,000.

(b) Financing plans :

Plans	Equity(%)	Debt(%)	Preference shares(%)
<i>A</i>	100	–	–
<i>B</i>	50	50	–
<i>C</i>	50	–	50

(c) Rate of interest is 8% and rate of dividend on preference shares is 8%.

(d) Tax rate is 35%.

(e) Face value of one equity share is Rs. 10. They are to be issued at premium of Rs. 10 per share.

(f) Expected EBIT is Rs. 80,000.

Determine EPS for each plan and suggest which one should be selected by the company.

- 4 Define the term 'Cost of Capital'. Explain how to measure cost of debt and cost of equity shares. **15**

**OR**

- 4 (a) Does retained earnings cost to the company ? If yes, explain its measurement. If no, justify your answer. **7**
- (b) What is WACC ? Explain its calculation. Also discuss the types of weights. **8**