



Seat No. : _____

TN-113

BBA (Semester – III) Examination
May-2013

CC 202 – FUNDAMENTALS OF FINANCIAL MANAGEMENT

Time : 3 Hours]

[Max. Marks : 70

1. (a) Discuss the meaning and classification of finance functions. 7

OR

Discuss the goals of Financial Management.

- (b) Two partners Sita and Geeta together tend ₹ 15000 at 10% compounded annually. The amount Seeta gets in 2 years is the same as Geeta gets at end of 4 years. Determine the share of each in principal. 7

OR

If a principal amount ₹ 55,650 deposited in a bank which was paying a 12% rate of interest on a ten year time deposit, how much would be the deposit grow at the end of 10 years ?

2. (a) Discuss the ABC analysis in detail. 7

OR

Discuss the factors affecting working capital needs.

- (b) ABC company has an annual requirement of 1,20,000 units of an electrical component. The per unit cost is ₹ 4. The ordering cost per unit is ₹ 200 per order, the carrying cost is 5%, find EOQ. If the suppliers offer 2% discount on placing just one order, should the company accept the same ? 7

OR

A company's credit sales for the year 2011 was ₹ 1,50,000. The company had an opening balance of receivables ₹ 15,000 and 2011 year business was closed with ₹ 9,000 receivables. Calculate receivables (debtors) turnover ratio and average collection period.

3. (a) From the following data, prepare a cash budget for 3 months from January to March. 7

Month	Sales	Purchases	Wages
December	2,50,000	90,000	25,000
January	2,20,000	1,00,000	22,000
February	1,60,000	1,50,000	22,000
March	2,50,000	50,000	19,000

Other Information :

- 50% of sales is realized in same month and 50% in next month.
- Purchases are paid in the next month.
- Lag in payment of wages $\frac{1}{2}$ month.
- Closing balance of cash at the end of December ₹ 1,00,000.

OR

XYZ Ltd. has an average selling price of ₹ 10 per unit. Its variable unit cost are ₹ 7, and fixed costs amount to ₹ 1,70,000. It finances all its assets by equity funds. It pays 35% tax on its income.

ABC Ltd. is identical to XYZ Ltd. except in the pattern of financing. The latter finances its assets 50% by equity and 50% by debt, the interest on which amounts to ₹ 20,000. Determine the degree of operating, Financial and combined leverage at ₹ 7,00,000 sales for both companies.

- (b) Write a short note on cost and benefits of receivables. 7

OR

Write a short note on ABC analysis.

4. (a) Discuss payback period and average rate of return as traditional decision methods under capital budgeting. 7

OR

Discuss the various types of capital Budgeting decisions.

- (b) ABC Ltd. is considering purchase of a new plant at cost of ₹ 2,50,000. The company estimates a increase in working capital of ₹ 20,000. The working life of plant is estimated to be 5 years. Its scrap value is estimated to be ₹ 50,000. The cash flow before depreciation, taxes are as follows :

7

Year	₹
1	1,50,000
2	1,60,000
3	1,70,000
4	1,80,000
5	1,90,000

The company charges depreciation on SLM basis. Assuming a discount rate of 12% and tax rate 50%, state whether this project should be accepted or not using NPV method.

OR

For an investment of ₹ 1,00,000, the cash flows for five years are as under :

Year	₹
1	40,000
2	60,000
3	60,000
4	50,000
5	60,000

Calculate IRR.

5. Fill in the blanks : (each blank carries **one** mark)

14

- (1) Maximization of _____ is the main goal of Financial Management.
(Profit/Assets/Shareholder's wealth).
- (2) _____ is a stream of uniform periodic cash flows. (Annuity/NPV)
- (3) _____ is the time that is used to convert raw materials into cash.
- (4) _____ and _____ are important roles of a Financial Manager in large organizations.

- (5) _____ is the best decision technique for mutually exclusive projects.
- (6) ARR ignores the concept of _____.
- (7) Contribution is divided by EBIT to get _____ leverage.
- (8) Economic lot size is also known as _____.
- (9) Name the three limitations with which the objective of profit maximization suffers.

- (10) The ratio between present value of cash inflows and present value of cash outflows is known as _____.
- (11) Operating leverage is concerned with the _____ decision. (investment, capital structure)
