DEPARTMENT OF MANAGEMENT
SCHOOL OF MANAGEMENT &BUSINESS STUDIES
JAMIA HAMDARD

Even Semester Examination (Online) July 2021

BBA-MBA-Integrated [IV-Semester]

Subject Name: Financial Management MM: 75

Subject Code: BBA(I)-C-14 Time. 03Hours

Email Id of the Examiner: fmbbai4072021@gmail.com

Email Id of the Assistant Superintendent of Exams: **bba4thsemexaminationjuly2021@gmail.com**

Email Id of Dean: deanmanagement@jamiahamdard.ac.in

Note:

- Students have to submit the **Scannedhand written solutions**to the Examiner, Assistant Superintendent of Examination and Dean on the email ids as mentioned above.
- Students shall use **ruled white paper & blue ink** to write the solution. Each page must have a **serial number and the signature** of the student.
- An additional ½ an hour will be given to the examinees to scan the answer sheets, convert it into single PDF and upload it on the id's given on the question papers.
- If any two copies are found to be similar then both the copies shall be cancelled. Such students will be considered/ tried for unfair means.
- The attachedPDF shall be named as follows – Roll No- Full Name-Enrollment Number-Course-Semester-Subject Abbreviation(Example: 9334032-Rabia Shaheen-2019-334-032-BBA-IV-MTS)and students shall also mention the same in subject line of the email& his/her answer copy also.
- Answer All Questions, each carry equal marks.

Q1: Your friend Ajay is trying to decide his career direction. Somebody told him that people in financial management make more money than others so he is desperate to make a career in financial management but he has no idea about the field. As a good friend tell him about the structure of the finance department and what is supposed to be done in a typical financial management job. [15]

Q2: Answer the following questions:

(a) A company is advertising a financial planning product wherein a person is required to pay a lumpsum of Rs 1,00,000 now & he / she will start getting Rs 15,000 every year from the next year for 10 years. What rate of return the company is offering? [5]

(b) Abhinav puts aside Rs 4500 in a bank account which offers 4.50% interest p.a. How much money he would have collected at the end of 5 years including interest? [5]

(c) Ajit is supposed to receive Rs 4500 every year for 5 years starting 1 year from now. What is today's worth of all the receivables combined if the discount rate is 12% p.a.? [5]

Q3(a) Estimate the (i) project cash flows, (ii) NPV & (iii) IRR based on the information given below. Assume cost of capital to be 14% [9+3+3=15]

[1] Project Life: 5 years

[2] Initial Investment:
Fixed Assets = Rs 50000000;
Working Capital = 35% projected sales of the next year

[3] Projected Sales:

Year	0	1	2	3	4	5
Sales (Rs)		25000000	35000000	35000000	27500000	25000000

[4] Costs other than depreciation, interest and taxes = 30 % of sales for year 1, growing by 2.5% each year for the rest 4 years.

[5] Depreciation is charged @ 25% on WDV basis

[6] Tax rate = 35%

[7] Net Salvage Value: Fixed Assets = 50% of initial investment; Working capital = 85% of the WC at the beginning of the final year.

Q4(a) Differentiate between Baumol's model & Miller Orr's cash management model. [10]

Q4(b) A firm's current ACP is 30 days & its present sales are Rs 10,00,00,000. The firm wants to relax its collection effort which will further worsen its ACP to 40 days. The contribution to sales ratio is 65% for the firm. The firm's opportunity cost of capital is 14% p.a. There will be however post tax benefit of Rs 500000 due to reduced collection efforts. Is it worthwhile to relax the collection efforts? Explain showing proper calculations. [5]

Q5 (a) 'Capital structure of the firm is irrelevant for firm valuation as the value of the firm cannot be changed by changing the way in which it is financed'. Comment citing appropriate theories.[5]

Q5 (b) 'High growth firms should not pay any dividends, declining firms should pay all their earnings as dividends, while dividends should be irrelevant for normal firms'. Comment citing appropriate theories. [5]

Q5 (c) 'Dividends are more important than retained earnings for firm valuation'. Comment citing appropriate theories. [5]

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