SET ...... Roll No.

Department of Management
School of Management and Business Studies
Jamia Hamdard
BBA-Semester III/ BACKLOG
Odd Semester Examination - December 2025

Subject Name: Financial Management **Max. Marks: 60**

Subject Code: BBA-DC-10 **Time: 2.5 Hours**

***Attempt both sections as per instructions.**

Section A - Short Answer (6 x 4 = 24)

Instructions for Section A: Attempt any Six Questions. All questions carry equal marks

Q1: Evaluate "Maximisation of Profit" and "Maximisation of Shareholders' Wealth" as the objective of Financial Management.
Q2: Define Capital Budgeting. Explain its significance in financial decision-making.
Q3: The finance department of a corporation provides the following information:
(i) The carrying costs per unit of inventory are Rs. 10.
(ii) The fixed costs per unit order are Rs. 20
(iii) The number of units requited is 30,000 per year.
Determine the economic order quantity (EOQ), total number of orders in a year and the time gap between two orders.
Q4: Explain the factors which influence the planning of capital structure in a business enterprise.
Q5: What is the Operating Cycle? Describe its components.
Q6: What are the factors determining working capital requirement.
Q7: What are the cost associated with receivables?
Q8: What are the different types of cash flows associated with capital budgeting process?
Q9: What are the assumptions and implications of Net Income Approach.

Section B-Long Answer (3 x 12 = 36)

Instructions for Section B: Attempt any Three Questions. All questions carry equal marks

Q1: What are the assumptions which underline Walter's Model of dividend effect? Does dividend policy affect the value of the firm under Walter's model?
Q2 ABC Ltd is estimating the following cash flow from two mutually exclusive Projects, if the discounting rate is 10%.:

(Rs. in Lacs)

Year	Project A	Project B
0	(10000)	(10000)
1	2000	1000
2	4000	1000
3	3000	8000
4	1000	500
5	4000	1000
6	6000	1000

The finance manager tries to evaluate the machines by calculating the following:

(i) Net Present Value
(ii) Profitability Index
(iii) Payback Period.

At the end of his calculations, however, the finance manager is unable to make up his mind as to which project to recommend. You are required to make these calculations and in light thereof to advise the finance manager about the proposed investment.

Q3: (a) Discuss ABC Analysis of Inventory control in detail.

(b) Pintex Co. expects cash flow to behave in a random manner and it wants to establish upper control limit and return point from the following information

(i) The fixed cost of marketable securities transaction is Rs.1500.
(ii) Annual yield on marketable securities is 12%.
(iii)Standard deviation of daily cash balance is Rs. 6000.
(iv)The minimum cash balance is Rs. 1,00,000.

Find out the 'Spread', 'Return Point' and 'Upper Limit', as per Miller-Orr Model.

Q4: What are the major types of Financial Management decisions that business firms make?

Q5: Calculate the degree of operating leverage, degree of financial leverage and the degree of combined leverage.

	Firm A	**Firm B**	**Firm C**
Output (Units)	60,000	15,000	1,00,000
Fixed Cost (Rs.)	7000	14000	1500
Variable Cost per unit (Rs.)	0.20	1.50	0.02
Interest on borrowed funds (Rs.)	4000	8000	-
Selling Price per unit (Rs.)	0.60	5.00	0.10

Q6: (a) Assume that a Rs. 40,00,000 plant expansion is to be financed as follows: The firm makes a 20% down payment and borrows the remainder at 9% interest rate. The loan is to be repaid in 8 equal annual instalments. What is the size of the required annual loan payments.

(b) Novelty Industries is establishing a sinking fund to redeem Rs. 50,00,000 bond issue which matures in 15 years. How much do they have to put into the fund at the end of each year to accumulate Rs. 50,00,000 assuming the funds are compounded 7% annually?