SE – 226

III Semester B.B.A. Examination, Jan./Feb. 2026
(SEP 2024-25)
BUSINESS ADMINISTRATION
BBA 3.2 : Financial Management

Time : 3 Hours Max. Marks : 80

***Instruction** : Answers to be written in **English** only.*

SECTION – A

1. Answer **any 7** sub-questions. **Each** carries **2** marks. **(7×2=14)**
   a) State any two objectives of financial management.
   b) What is meant by profit maximisation ?
   c) Define annuity.
   d) What is capital structure ?
   e) Define capital budgeting.
   f) Give the meaning of NPV.
   g) Define dividend.
   h) What is regular dividend ?
   i) Cost of plant ₹ 2,00,000 and cash flows for the first 3 years are ₹ 60,000, ₹ 90,000 and ₹ 1,00,000. Express the PBP in terms of years.
   j) What is meant by discounting technique ?

SECTION – B

Answer **any three** of the following. **Each** carries **8** marks. **(3×8=24)**

2. Briefly explain the factors affecting financial plan.

3. The following data relate to two companies :

Particulars	**'A' Ltd. (₹ in lakh)**	**'B' Ltd. (₹ in lakh)**
Sales	500	1,000
Variable cost	200	300
Contribution	300	700

P.T.O.

Fixed cost	150	400
EBIT	150	300
Interest	50	100
EBT	100	200

You are required to calculate the operating, financial and combined leverages for the two companies.

4. A debenture is available in the market for ₹ 1,000 with ₹ 80 on the interest for a year for a period of 4 years with maturity value of ₹ 1,120. The debenture capitalisation rate is 10%. Advise Mr. Anand in his buying decision of this debenture.

5. A project requires an investment of ₹ 6,00,000 and has the scrap value ₹ 30,000 after 5 years. Its net earnings after taxes are ₹ 50,000, ₹ 70,000, ₹ 80,000, ₹ 60,000 and ₹ 10,000 respectively for 5 years. Calculate the average rate of return on the investment.

6. Following are the details regarding three companies Arun, Varun and Kiran Ltd.

Arun Ltd.	**Varun Ltd.**	**Kiran Ltd.**
r = 15%	r = 5%	r = 10%
K_e = 10%	K_e = 10%	K_e = 10%
E = ₹ 8	E = ₹ 8	E = ₹ 8

Calculate the value of an equity share of each of these companies applying Walter's model when dividend payment ratio is a) 25%, b) 50% and c) 75%.

SECTION – C

Answer **any three** of the following. **Each** carries **14** marks. **(3×14=42)**

7. A company has EBIT of ₹ 4,80,000 and its capital structure consist of the following securities.

Equity share capital (₹ 10 each)	₹ 4,00,000
12% preference shares (₹ 100 each)	₹ 6,00,000
14.5% debentures	₹ 10,00,000

The company is facing fluctuation in its sales. What would be the percentage change in EPS if

a) EBIT of the company increase by 25%

b) EBIT of the company decrease by 25%

The company tax rate is 35%.

8. Elucidate the objectives of financial management.

9. 'Anvitha' company is considering to purchase a machine. Two machines are available X and Y costing ₹ 50,000 each. Earnings after taxation are expected to be as follows.

Year	Machine X	Machine Y
1	15,000	5,000
2	20,000	15,000
3	25,000	20,000
4	15,000	30,000
5	10,000	20,000

Evaluate the two alternatives according to

a) Pay back period method.

b) Net present value method.

Assume cost of capital @ 10% depreciation is allowed under straight line method. The discount factor is as under.

Year	1	2	3	4	5
Discount factor	0.909	0.826	0.751	0.683	0.621

10. Rama Ltd., has total investment of ₹ 5,00,000 assets and 50,000 outstanding equity shares of ₹ 10 each. It earns a rate of 15% on its investments, and has a policy of retaining 50% of the earnings. If the appropriate discount rate for the firm is 10%, determine the price of its shares using Gordon Model. What shall happen to the price if the company has payout of 80% and 20% ?

11. Anupama Ltd. company has equity share capital of ₹ 5,00,000 divided into shares of ₹ 100 each, it wishes to raise further ₹ 3,00,000 for modernisation of plants. The company plans the following financing schemes.

a) All equity shares.

b) ₹ 1,00,000 in equity shares and ₹ 2,00,000 in preference share capital with a rate of dividend @ 8%.

c) All debt @ 10% per annum.

d) ₹ 1,00,000 in equity shares and ₹ 2,00,000 in debt @ 10% per annum.

The company has an estimated EBIT@ ₹ 1,50,000. The corporate tax rate is 50%. Calculate EPS in each case.