



BRAINWARE UNIVERSITY

Course - BBA

Financial Management, Banking & Financial Institutions (BBA401)

(Semester – 4)

Time allotted: 3 Hours

Full Marks: 70

[The figure in the margin indicates full marks. Candidates are required to give their answers in their own words as far as practicable.]

Group –A

(Multiple Choice Type Question)

10 x 1 = 10

1. *Choose the correct alternative from the following*
 - (i) The matured amount of an investment at 10% p.a interest after 3 years is B26620. The investment amount today is

a. Rs. 26620	b. Rs. 25780
c. Rs. 23765	d. Rs. 22098
 - (ii) Credit sales for the month of April Rs.500000 is collected as 20% in the month of sale, 60% in the next month and balance in the month of June. Collection in June is

a. Rs. 400000	b. Rs. 300000
c. Rs. 100000	d. Rs. 200000
 - (iii) A sale for a year is Rs.800000 on which Net profit is B160000. Net profit ratio is

a. 30%	b. 20%
c. 25%	d. 40%
 - (iv) If from a project in a year there is 70% chance that cash flow is Rs.30000 and 30% chance that cash flow is Rs.60000, ENCF of the cash flow will be

a. Rs.130000	b. Rs.21000
c. Rs.18000	d. Rs.39000
 - (v) The most appropriate criteria for selecting project under Capital rationing is

a. NPV	b. ENPV
c. IRR	d. PI
 - (vi) If you receive Rs. 10000 at the end of each year for next three years for an investment today at 10% p.a, then you have to invest today

a. Rs. 27907.87	b. Rs. 37907.87
c. Rs. 47907.87	d. Rs. 57907.87

- (vii) If Closing Cash is Rs.20000 and CFO = Rs.60000, CFI= (-)Rs.75000 and CFF =(-) Rs.8000 then opening cash is
- | | |
|-------------|---------------|
| a. Rs.43000 | b. (-)Rs.3000 |
| c. Rs.23000 | d. Rs.20000 |
- (viii) Keeping other things constant if credit sale increases then
- | | |
|---------------------------|---------------------|
| a. Debtor decrease | b. WC increases |
| c. Cash receipt increases | d. Profit decreases |
- (ix) PI of a project with initial outlay B100000 is Rs.2.5. The present value of cash inflows from the project is
- | | |
|---------------|---------------|
| a. Rs. 200000 | b. Rs. 350000 |
| c. Rs. 150000 | d. Rs. 250000 |
- (x) If PAT for the year is Rs.600000 ,depreciation Rs.35000,net increase in CA(excluding cash is Rs.100000 and net decrease in CL Rs.45000 then CFO is
- | | |
|--------------|----------------------|
| a. Rs.459000 | b. Rs.780000 |
| c. Rs.580000 | d. None of the above |

Group – B

(Short Answer Type Questions)

3 x 5 = 15

Answer any *three* from the following

- | | |
|---|-----|
| 2. Compute OC if R = 30 days, W = 40 days, F =25 days and D = 35 days | [5] |
| 3. A project with initial outlay of Rs.10000 and life 3 years generates, before salvage, free cash flows at Rs.250000, Rs.400000 and Rs.450000 respectively at the end of 1 st year, 2 nd year & 3 rd year. Salvage Rs. 80000 at the end of 3 rd year. Compute NPV at 10% | [5] |
| 4. Opening Inventory = Rs.25000, Closing Inventory = Rs.65000. During the year cost of goods sold is Rs.730000. Compute Inventory turnover in days. | [5] |
| 5. Cost of Debt is 12% and Cost of Equity is 18%. Debt Equity ratio is 1:1. Compute WACC when tax rate is 50% | [5] |
| 6. Explain payback period. | [5] |

Group – C

(Long Answer Type Questions)

3 x 15 = 45

Answer any *three* from the following

7. (a) OC comprises R = 20 days, W = 30 days, F = 20 days and D = 25 days. The company plans to produce 7200 units in a year of 360 days. Production cost details p.u are: Material B2, Labour B5 and B3. Sales price p.u B12. Compute WC requirement to maintain the level. [8]
- (b) A Business unit has projects A, B, C and D available for investment. It has only Rs. 1500000 in hand. The details of Projects are given below: [7]
 Project A: Initial Outlay Rs. 500000, PI 1.5;
 Project B: Initial Outlay Rs. 900000, PI 3;
 Project C: Initial Outlay Rs. 400000, PI 2.5;
 Project D: Initial Outlay Rs. 500000, PI 3.5;
 What will be your selection of Projects? Projects are not divisible.
8. (a) One business unit during a year made net profit Rs. 300, 000. For the business unit opening balance of debtor was Rs. 60000 whereas closing balance of debtor was Rs. 95000. What will be the net effect of these on closing cash position? [8]
- (b) Consider that an investor has an opportunity of receiving Rs. 2000, Rs.3000, Rs.1950, and Rs.4000 respectively at the end of one through four years respectively. Find out the future value of this stream of uneven cash flows when interest rate is 10% p.a. [7]
9. (a) What do you mean by Capital Budgeting [6]
- (b) If you receive Rs. 10000 at the end of every year for life then what will be the present value of these receipt at 10% [5]
- (c) Write 4 items of Cash from Investments. [4]
10. (a) What is called Sound Banking System? [6]
- (b) If you receive Rs. 20000 at the end of every year for life then what will be the present value of these receipt at 10% [5]
- (c) Name four phases of evaluation of Indian Banking System. [4]
11. (a) A business unit with Net Worth Rs. 800 lakhs has Rs. 400 lakhs long term debt and Rs. 800 lakhs short term bank borrowings in its [2]

balance sheet as on 31.3.17. Compute Debt Equity ratio of the business unit.

- (b) If $CA - CL = \text{B}80000$ and Current Ratio is 2, Compute CA [2]
- (c) Compute Free Cash Flow if $EBDIT = \text{Rs. } 200000$, $D = \text{Rs. } 20000$,
Net change in $WC = \text{B}10000$ and tax rate is 50% [6]
- (d) Explain ROI [5]
