



BRAINWARE UNIVERSITY

Term End Examination 2018 - 19

Programme –Bachelor of Business Administration

Course Name - Financial Management, Banking and Financial Institutions

Course Code - 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) Permanent working capital
 - a. varies with seasonal needs
 - b. includes fixed assets.
 - c. is the amount of current assets required to meet a firm's long-term minimum needs.
 - d. includes accounts payable
 - (ii) The values of the future net incomes discounted by the cost of capital are called
 - a. Average capital cost
 - b. Discounted capital cost
 - c. Net capital cost
 - d. Net present values
 - (iii) _____ on capital is called 'Cost of capital'
 - a. Lower expected return
 - b. Normally expected return
 - c. Higher expected return
 - d. None of the above
 - (iv) Under Net present value criterion, a project is approved if
 - a. Its net present value is positive
 - b. The funds are unlimited
 - c. Both (A) and (B)
 - d. None of the above
 - (v) To increase a given future value, the discount rate should be adjusted _____.
 - a. upward
 - b. downward
 - c. first upward and then downward
 - d. None of the above

5. T Ltd. issues 100015% debentures of face value of ₹100 each, redeemable at the end of 7 years. The debentures are issued at a discount of 5% and the floatation cost is estimated to be 1%. Find out the cost of capital of debentures given that the firm has 35% tax rate. 5
6. Briefly explain any five important roles of The Securities and Exchange Board of India. 5

Group – C

(Long Answer Type Questions)

3 x 15 = 45

Answer any *three* from the following

7. From the following details you are required to make an assessment of the average amount of working capital requirement of Lobster Ltd.: 15

Items	Average period of credit	Estimate for the First Year(₹)
Purchase of materials	6 weeks	1300000
Wages	1.5 weeks	975000
Overheads:		
Rent, rates etc	6 months	50000
Salaries	1 month	400000
Other overheads	2 months	375000
Sales(cash)	--	100000
Sales(credits)	2 months	300000
Average amount of stock and work-in-progress	--	200000
Average amount of undrawn profit	--	150000

It is assumed that all expensed and incomes were made at even rate for the year.

8. A company is regarding to purchase a machine. Two machines A and B are available, each costing ₹5 lakhs. In comparing the profitability of the machines, a discounting rate of 10% is to be used and machine is to be written off in five years by straight line method of depreciation with nil residual value. Cash inflows after tax are expected as follows: 15

Year	Machine A(₹)	Machine B(₹)
1	150000	50000
2	200000	150000
3	250000	200000
4	150000	300000
5	100000	200000

Identify which machine will be profitable using the NPV and PI methods of ranking investment proposals.

9. From the following information in relation to Victoria Ltd., you are required to evaluate the weighted average cost of capital using book values as weights. 15

	Book Value (₹)
Equity Share Capital :	
25000 shares @ ₹ 10 each	250000
12% Preference share capital:	
500 shares @ ₹ 100 each	50000
Reserves and Surplus:	
General Reserve	150000
14% Debentures:	
1500 debentures @ ₹100 each	150000

The expected dividend per share is ₹ 1.50 with expected growth rate of 8%. Preference shares are redeemable after 5 years at par whereas debentures are redeemable after 6 years at a premium of 5%. Tax rate for the company is 35%.

10. Recognise and briefly explain the various functions of the Reserve Bank of India. 15
11. (a) Explain the roles or functions of financial system. 7
- (b) Review the various components of financial system under Indian context 8
