

**BIRLA INSTITUTE OF TECHNOLOGY, MESRA, RANCHI
(END SEMESTER EXAMINATION)**

**CLASS: BBA
BRANCH: MANAGEMENT**

**SEMESTER : IV
SESSION : SP/2025**

SUBJECT: MN211 BASICS OF FINANCIAL MANAGEMENT

TIME: 3 Hours

FULL MARKS: 50

INSTRUCTIONS:

1. The question paper contains 5 questions each of 10 marks and total 50 marks.
2. Attempt all questions.
3. The missing data, if any, may be assumed suitably.
4. Before attempting the question paper, be sure that you have got the correct question paper.
5. Tables/Data hand book/Graph paper etc. to be supplied to the candidates in the examination hall.

		CO	BL												
Q.1(a) Give the scope of Financial Management highlighting the decisions of Finance Department of an organization	[5]	1	1												
Q.1(b) Profit Maximization or Wealth Maximization? What is preferred objective of financial management and why?	[5]	1	2												
Q.2(a) Prepare a Hypothetical Cash flow statement of a company highlighting the treatment of Proposed and Interim dividend and transfer to General reserves under the respective activities.	[5]	2	6												
Q.2(b) ABC Ltd has made the following estimations for the next year	[5]	2	3												
1. Total Assets employed =Rs. 10lakh															
2. Borrowed Capital =Rs 4 lakh															
3. Interest rate on borrowed capital =10% pa															
4. Gross Profit Ratio= 25% on sales															
5. Direct Costs =Rs 100000															
6. Other operating expenses= Rs 50000															
7. Sales Revenue= 350% on direct cost															
8. Number of equity shares are 6000 of Rs 100 each.															
9. Tax rate =30%															
Compute															
1. Net Profit Margin															
2. Asset Turnover ratio															
3. Return on Assets															
4. ROE															
5. EPS															
Q.3(a) Explain the major determinants of working capital decisions of the firm?	[5]	3	2												
Q.3(b) What is Operating cycle? What are its components and how is it computed?	[5]	3	3												
Q.4 A Co. is considering an investment proposal to install a new machine of Rs. 50 Lakh having a life expectancy of 5 years and no scrap value. Tax rate is 30 percent. Straight line method of depreciation is allowed. The following cash flows occur at the end of each year for five years	[10]	4	3,5												
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;">Year</th> <th style="width: 85%;">Cash Flow before Depreciation and Tax</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1</td> <td style="text-align: right;">1000000</td> </tr> <tr> <td style="text-align: center;">2</td> <td style="text-align: right;">1069200</td> </tr> <tr> <td style="text-align: center;">3</td> <td style="text-align: right;">1276000</td> </tr> <tr> <td style="text-align: center;">4</td> <td style="text-align: right;">1346200</td> </tr> <tr> <td style="text-align: center;">5</td> <td style="text-align: right;">2038500</td> </tr> </tbody> </table>	Year	Cash Flow before Depreciation and Tax	1	1000000	2	1069200	3	1276000	4	1346200	5	2038500			
Year	Cash Flow before Depreciation and Tax														
1	1000000														
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Compute: Payback period, ARR , NPV @10 required rate of return and Profitability Index.															
Which of them are modern techniques and what are their benefits over traditional techniques. Which technique will you prefer from above to make a final choice had there been another choice of machine having a positive NPV?															
Q.5(a) Discuss types of leverages and their Causes and Importance.	[5]	5	2												
Q.5(b) Differentiate between Net Income and net Operating Income approach of capital structure decision.	[5]	5	4												