

**Punjab Technical University
BBA Examination 2006-2007**

BBA Semester 4th FINANCIAL MANAGEMENT 2007

Time : 03 Hours Maximum Marks : 60

Instruction to Candidates:

- 1) Section - A is compulsory.**
- 2) Attempt any Four questions from Section - B.**

Section – A (10 X 2 = 20)

Q1)

- a) What are the objectives of financial management?
- b) What do you mean by explicit and implicit cost of capital?
- c) What is Pay back period method?
- d) Explain arbitrage process.
- e) How cost of equity capital can be calculated?
- f) Explain MM approach of capital structure.
- g) Explain investment decision of financial management.
- h) What do you mean by stock dividend?
- i) Explain permanent working capital.
- j) What is NPV method of capital budgeting?

Section – B (4 X 10 = 40)

Q2) Explain various approaches to finance function.

Q3) What is meant by financial leverage? Differentiate between operating leverage and financial leverage.

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Q4) Discuss the merits and limitations of weighted average cost of capital? What are the problems in their calculation?

Q5) Explain various sources of raising working capital finance.

Q6) Shanker steels Ltd. is planning to issue 10% debentures of Rs.100 each at par. These debentures are redeemable at a premium of 10% after 5 years. The floatation costs are expected to be 4% of the net proceeds of the issue. The corporate income tax is 40%. Find out the cost of debentures?

Q7) Bharti Organics Ltd. is considering an investment proposal to install a new control machine. The project will consist of Rs. 100000. The facility has a life expectancy of 5 years and no salvage value. The firm uses straight line depreciation. The estimated cash flow before tax (CFBT) from the investment proposal are as under:

Year CFBT

- 1 Rs. 20000
- 2 Rs. 25000
- 3 Rs. 25000
- 4 Rs. 30000
- 5 Rs. 50000