

END SEMESTER EXAMINATION, MAY - 2026**B. B. A. Semester – IV****Paper Code: 541220****Subject Name: Business Finance****Subject Code: BBA401****Time allotted: 03 Hours****Max. Marks: 100****Note: Read all the instructions carefully.**

Q.1	VERY SHORT ANSWER QUESTIONS – Attempt All.	(10x2 = 20 Marks)
a.	In capital budgeting, the payback period method considers the time value of money. Justify.	CO1
b.	What do you mean by capital budgeting?	CO1
c.	What do you mean by capital structure?	CO1
d.	Explain permanent working capital.	CO1
e.	Define cash management?	CO1
f.	Define leverages.	CO2
g.	Explain stock dividend.	CO2
h.	Define Cost of debt capital	CO2
i.	You have deposited Rs. 100,000 in a fixed deposit in a bank at 8% rate of interest. How much will you get after 5 years?	CO2
j.	Explain "Time Value of Money".	CO2
Q.2	SHORT ANSWER QUESTIONS – Attempt any Five.	(5x4 = 20 Marks)
a.	You have borrowed a 3 year loan of Rs. 100000 at 9% from a prominent bank to buy a car. If the bank requires five equal repayments that what will be the amount of annual equal installment.	CO3
b.	Explain the determinants of working capital.	CO3
c.	Explain the factors which determine the dividend policy of the firm.	CO3
d.	XYZ Ltd. is a company that produces and sells electronic gadgets. The company's financial data for the year 2024 is as follows: - Sales Revenue: ₹50,000 - Variable Costs: ₹25,000 - Fixed Costs: ₹10,000 - Interest Expense: ₹2,000 - EBIT (Earnings Before Interest and Taxes): ₹15,000 - Tax Rate: 30% Calculate the following: - Degree of Operating Leverage (DOL) - Degree of Financial Leverage (DFL)	CO3
e.	Discuss the objectives of financial management	CO4
f.	Differentiate between discounting and non-discounting techniques of capital budgeting	CO4
g.	A company is expecting a net income of Rs. 1200000. It has Rs. 5000000, 8% debentures. The equity Capitalization rate of the company is 10%. You are required to calculate the value of the firm and overall capitalization rate according to the Net Income Approach.	CO4

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Q.3		STRUCTURED QUESTIONS – Attempt any Three.		(3x10 = 30 Marks)																						
	a.	Explain the Walter’s dividend model. What are its assumptions?			CO4																					
	b.	The cost sheet of ABC ltd. Provides the following data: <table><tr><td>1</td><td>Raw Material</td><td>50</td></tr><tr><td>2</td><td>Direct Labour</td><td>20</td></tr><tr><td>3</td><td>Overheads (including Dep. of Rs. 10)</td><td>40</td></tr><tr><td>4</td><td>Total cost</td><td>110</td></tr><tr><td>5</td><td>Profits</td><td>20</td></tr><tr><td>6</td><td>Selling Price</td><td>130</td></tr></table> • Average Raw material in stock is for one month. • Average material in WIP is for half month. • Credit allowed by supplier 1 month and to debtors 1 month. • Average time lag in payment of wages 10 days, of overheads 30 days. • 25% of sales are on cash basis. • Cash balance to be Rs. 1, 00,000. • Finished stock lie in warehouse for 1 month. You are required to prepare statement showing working capital requirement.			1	Raw Material	50	2	Direct Labour	20	3	Overheads (including Dep. of Rs. 10)	40	4	Total cost	110	5	Profits	20	6	Selling Price	130	CO4			
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	c.	Explain the various methods of ranking investment proposals			CO5																					
	d.	Define Over-capitalization. Explain any four major reasons that may lead a company to become over-capitalised.			CO5																					
Q.4		Case Analysis/ Situation Based QUESTIONS – Attempt any Two.		(2x15 = 30 Marks)																						
	a	R Ltd is making a choice between two proposals which require an equal investment of Rs. 150000 each and are expected to generate net cash flow as under. <table><tr><td></td><td>Project I Rs</td><td>Project II Rs.</td></tr><tr><td>1</td><td>40000</td><td>60000</td></tr><tr><td>2</td><td>49500</td><td>30000</td></tr><tr><td>3</td><td>14000</td><td>25000</td></tr><tr><td>4</td><td>30000</td><td>22000</td></tr><tr><td>5</td><td>25000</td><td>0</td></tr><tr><td>6</td><td>0</td><td>8000</td></tr></table> Which project will preferred according to: i. NPV method ii. PI method Presuming a discount rate of 12% and the present value of Re. 1 at this rate being .893, .797, .712, .636, .567 and .507 for one to six years				Project I Rs	Project II Rs.	1	40000	60000	2	49500	30000	3	14000	25000	4	30000	22000	5	25000	0	6	0	8000	CO5
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	b	A firm is planning a ₹5,00,000 expansion. It currently has 1,00,000 equity shares outstanding, with a market price of ₹10 per share. The corporate tax rate is 30%, and the anticipated EBIT is ₹2,00,000. The management is considering the following three financing plans: Plan A: Finance entirely with equity by issuing 25,000 new shares. Plan B: Finance with 50% equity (12,500 new shares) and 50% debt (₹2,50,000 at 10% interest). Plan C: Finance entirely with debt (₹5,00,000 at 10% interest). Evaluate the three financing options and determine which plan would result in the highest Earnings Per Share (EPS). Justify your recommendation based on your analysis.			CO6																					
	c	Calculate the cost of capital in the following cases: (i) X ltd. Issues 12% debentures of face value Rs. 100 each and realizes Rs. 95 per debenture. The debentures are redeemable after 10 years at premium of 10%. (ii) Y ltd. Issues 14% preference shares of face value Rs. 100 each Rs. 92 per share. The shares are repayable after 12 years at par.			CO6																					
