

**BACHELOR OF BUSINESS ADMINISTRATION  
(RETAIL SERVICES) (BBARS)**

**Term-End Examination** 00438  
**December, 2015**

**BRS-016 : FINANCIAL MANAGEMENT**

*Time : 3 hours*

*Maximum Marks : 100*

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- Note :**
- (i) *Attempt any five questions.*
  - (ii) *All questions carry equal marks.*
  - (iii) *Use of Calculator and FVIF, FVIFA, PVIF and PVIFA Tables are allowed.*
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1. Explain Profit maximisation and wealth maximisation goals. Which one is superiors in your opinion and why ? 20
  
2. A person has been given the following options 20  
for the investment made by him in the past. Which one would be the most attractive option assuming a discount rate of 10.5% per annum.  
Option - 1 : ₹ 5,50,000 to be received at present time.  
Option - 2 : ₹ 16,00,000 to be received after 10<sup>th</sup> year.  
Option - 3 : ₹ 62,500 receivable per annum in perpetuity.  
Option - 4 : ₹ 90,000 receivable per annum for 10 years.  
Option - 5 : ₹ 50,000 receivable half yearly for 4 years and ₹ 3,50,000 after 5<sup>th</sup> year.

3. Jamuna Prasad & Co. has furnished the following estimated information. Based on this, prepare a *Cash Budget* for three months, *June, July and August 2014*. 20

Month	Sales (in ₹)	Material Purchase (in ₹)	Wages (in ₹)	Production Overhead (in ₹)	Office & Selling Expenses (in ₹)
June	72,000	25,000	10,000	6,000	5,500
July	97,000	31,000	12,100	6,300	6,700
August	86,000	25,500	10,600	6,000	7,500

Assumptions :

- (a) Cash balance in hand as on 01/06/2014 ₹ 72,500.
  - (b) 50% of sales are cash sales.
  - (c) A fixed assets has to be purchased for ₹ 8,000 in July 2014.
  - (d) Debtor's are allowed one month's credit.
  - (e) Creditors for materials grant one month's credit.
  - (f) Sales Commission at 3% on sales is paid to the salesman each month.
4. Why do we focus on cash flows rather than on profits while evaluating capital budgeting decisions ? Also explain how IRR method is used in capital budgeting decision. 20
5. What do you mean by inadequate working capital ? Discuss any two techniques/methods of calculating working capital requirement of a firm. 20

6. Differentiate between business risk and financing risk of a firm. How are they measured by leverage ? 20
7. What do you understand by efficient cash management ? Discuss its objectives. 20
8. Write short notes on **any four** of the following : **4x5=20**
- (a) Under capitalisation and over capitalisation
  - (b) Tools of Financial forecasting
  - (c) Flexible Budget
  - (d) Sensitivity analysis
  - (e) Inventory turnover ratio
  - (f) Average Rate of Return Method

**Table A - 1** The Compound Value of ₹ 1 or Future Value Interest Factor at r (rate of interest) after n periods i.e.,  $FVIF_{(r,n)} = (1+r)^n$  (₹ 1 invested at the beginning of the time period)

n \ r	1%	2%	3%	4%	5%	6%	7%
1	1.010	1.020	1.030	1.040	1.050	1.060	1.070
2	1.020	1.040	1.061	1.082	1.103	1.124	1.145
3	1.030	1.061	1.093	1.125	1.158	1.191	1.225
4	1.041	1.082	1.126	1.170	1.216	1.262	1.311
5	1.051	1.104	1.159	1.217	1.276	1.338	1.403
6	1.062	1.126	1.194	1.265	1.340	1.419	1.501
7	1.072	1.149	1.230	1.316	1.407	1.504	1.606
8	1.083	1.172	1.267	1.369	1.477	1.594	1.718
9	1.094	1.195	1.305	1.423	1.551	1.689	1.999
10	1.105	1.219	1.344	1.480	1.629	1.791	1.967
11	1.116	1.243	1.384	1.539	1.710	1.898	2.105
12	1.127	1.268	1.426	1.601	1.796	2.012	2.252
13	1.138	1.294	1.469	1.665	1.886	2.133	2.410
14	1.149	1.319	1.513	1.732	1.980	2.261	2.579
15	1.161	1.346	1.558	1.801	2.079	2.397	2.759
16	1.173	1.373	1.605	1.873	2.183	2.540	2.952
17	1.184	1.400	1.653	1.948	2.292	2.693	3.159
18	1.196	1.428	1.702	2.026	2.407	2.854	3.380
19	1.208	1.457	1.754	2.107	2.527	3.026	3.617
20	1.220	1.486	1.806	2.191	2.653	3.207	3.870
21	1.232	1.516	1.860	2.279	2.786	3.400	4.141
22	1.245	1.546	1.916	2.370	2.925	3.604	4.430
23	1.257	1.577	1.974	2.465	3.072	3.820	4.740
24	1.270	1.608	2.033	2.563	3.225	4.049	5.072
25	1.282	1.641	2.094	2.666	3.386	4.292	5.427
30	1.348	1.811	2.427	3.243	4.322	5.743	7.612
35	1.417	2.000	2.814	3.946	5.516	7.686	10.677
40	1.489	2.208	3.262	4.801	7.040	10.286	14.974
45	1.565	2.438	3.782	5.841	8.985	13.765	21.002
50	1.645	2.692	4.384	7.107	11.407	18.420	29.457
							46.902
							74.358
							117.39

Table A-1 The Compound Value of ₹ 1 or Future Value Interest Factor at  $r$  (rate of interest) after  $n$  periods i.e.,  $FVIF(r, n) = (1 + r)^n$  (₹ 1 invested at the beginning of the time period)

$n \rightarrow$	11%	12%	13%	14%	15%	16%	17%	18%	19%	20%
1	1.110	1.120	1.130	1.140	1.150	1.160	1.170	1.180	1.190	1.200
2	1.232	1.254	1.277	1.300	1.323	1.346	1.369	1.392	1.416	1.440
3	1.368	1.405	1.443	1.482	1.521	1.561	1.602	1.643	1.685	1.728
4	1.518	1.574	1.630	1.689	1.749	1.811	1.874	1.939	2.005	2.074
5	1.685	1.762	1.842	1.925	2.011	2.100	2.288	2.386	2.488	2.596
6	1.870	1.974	2.082	2.195	2.313	2.436	2.565	2.700	2.840	2.986
7	2.076	2.211	2.353	2.502	2.660	2.826	3.001	3.185	3.379	3.583
8	2.305	2.476	2.658	2.853	3.059	3.278	3.511	3.759	4.021	4.300
9	2.558	2.773	3.004	3.252	3.518	3.803	4.108	4.435	4.785	5.160
10	2.839	3.106	3.395	3.707	4.046	4.411	4.807	5.234	5.695	6.192
11	3.152	3.479	3.836	4.226	4.652	5.117	5.624	6.176	6.777	7.430
12	3.498	3.896	4.335	4.818	5.350	5.936	6.580	7.288	8.064	8.916
13	3.883	4.363	4.898	5.492	6.153	6.886	7.699	8.599	9.596	10.699
14	4.310	4.887	5.535	6.261	7.076	7.988	9.007	10.147	11.420	12.839
15	4.785	5.474	6.254	7.138	8.137	9.266	10.539	11.974	13.590	15.407
16	5.311	6.130	7.067	8.137	9.358	10.748	12.330	14.129	16.172	18.488
17	5.895	6.866	7.986	9.276	10.761	12.468	14.426	16.672	19.244	22.186
18	6.544	7.690	9.024	10.575	12.375	14.463	16.879	19.673	22.901	26.623
19	7.263	8.613	10.197	12.056	14.232	16.777	19.748	23.214	27.252	31.948
20	8.062	9.646	11.523	13.743	16.367	19.461	23.106	27.393	32.429	38.338
21	8.949	10.804	13.021	15.668	18.822	22.574	27.034	32.323	38.591	46.005
22	9.934	12.100	14.714	17.861	21.645	26.186	31.629	38.142	45.923	55.206
23	11.026	13.552	16.627	20.361	24.891	30.376	37.006	45.008	54.649	66.247
24	12.239	15.179	18.788	23.212	28.625	35.236	43.297	53.109	65.032	79.497
25	13.585	17.000	21.231	26.462	32.919	40.874	50.658	62.669	77.388	95.396
30	22.892	29.960	39.116	50.950	66.212	85.850	111.065	143.371	184.675	237.376
35	38.575	52.800	72.069	98.100	133.176	180.314	243.503	327.997	440.701	590.668
40	65.001	93.049	132.782	188.884	267.864	378.721	533.869	750.378	1051.668	1469.772
45	109.530	163.988	244.641	363.679	538.769	795.444	1170.479	1716.684	2509.651	3657.262
50	184.565	289.002	450.736	700.233	1083.657	1670.704	2566.215	3927.357	5988.914	9100.438