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IV Semester B.B.A. Degree Examination, September/October - 2022

AVIATION MANAGEMENT

Financial Management

(CBCS Scheme 2019-20 Freshers)

Time : 3 Hours

Maximum Marks : 70

Instructions to Candidates :

Answers should be written only in English.

SECTION - A

Answer any Five questions. Each question carries 2 marks.

(5×2=10)

1. a) Define financial function.
- b) Mention different forms of dividend.
- c) What is working capital.
- d) Define time value of money.
- e) What is ARR and NPV.
- f) Mr. Arun wants to get Rs.50,000 after 10 years at 10% interest rate. Calculate how much he has to invest now to get Rs.50,000. The discounting factor for Rs.1 at 10% for 10 years is 0.386.
- g) What is leverage? Mention any 2 types of leverage.

SECTION - B

Answer any Three questions from the following. Each question carries 6 marks.(3×6=18)

2. Distinguish between profit maximization and wealth maximization.
3. The sales of a company is Rs.20,00,000, variable cost is Rs.14,00,000. Fixed cost is Rs.4,00,000 and debt Rs.10,00,000 at 12% rate of Interest. Calculate operating leverage, financial leverage and combined leverage.
4. Briefly explain different types of dividends.

[P.T.O.]



5. Calculate ARR of project X and Y from the following :

	Project X	Project Y
Investment	Rs.20,000	Rs.30,000
Expected life	4 years	5 years

Projected Net Income (after interest, depreciation and taxes)

Year	1	2	3	4	5
Project X (Rs.)	2,000	1,500	1,500	1,000	-
Project Y (Rs.)	3,000	3,000	2,000	1,000	1,000

Note : If the required rate of return is 14% which project should be undertaken.

SECTION - C

Answer any Three questions from the following. Each question carries 14 marks.

(3×14=42)

6. What is the role of finance Manager in present generation?
7. Rahul company Ltd. is considering the purchase of a machine which cost Rs.50,000 which has a life expectancy of 5 years with no salvage value. The tax rate is 35%. Assume the company uses straight line method of depreciation. The estimated cash flow before tax (CFBT) from the investment is as follows.

Year	CFBT	Present value at 10% discount rate
1	10,000	0.909
2	10,692	0.826
3	12,769	0.751
4	13,462	0.683
5	20,385	0.621

Compute:

- PBP.
- NPV.
- PI.



8. Explain the phases of working capital management in detail.
9. A company has EBIT of Rs.4,80,000 and its capital structure consists the following securities.

Equity share capital (Rs.10 each)	4,00,000
12% preference shares	6,00,000
14.5% debentures	10,00,000
Total	<u>20,00,000</u>

The company is facing fluctuation in its sales what would be the changes in EPS if.

- a) EBIT of the company increases by 20%.
- b) EBIT of the company decreases by 20%

Corporate tax is 35%.
