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JK Lakshmipat University Jaipur
INSTITUTE OF MANAGEMENT
End Term Examination, May 2026
BBA, Semester IV, 2024-27
Regular and Backlog

Roll No.....

FA1103: Financial Management

Time: 2.5 hours Max. Marks: 40

Instructions to students:

- 1) Do not write anything other than your roll number on question paper.
- 2) Students are allowed to use calculators.
- 3) Answer any 5 questions from the list given below of 8 marks each.

Q1.	Bhavani Co. Ltd, whose cost of capital is 12%, is asking your advice with the following details. Original cost of an Asset- Rs. 1,00,000 Method of Depreciation- Straight line Tax rate- 50% Profit before depreciation and tax at the end of <table><tr><td>Year</td><td>PBDT</td></tr><tr><td>1</td><td>30,000</td></tr><tr><td>2</td><td>35,000</td></tr><tr><td>3</td><td>40,000</td></tr><tr><td>4</td><td>50,000</td></tr><tr><td>5</td><td>30,000</td></tr></table> By using “Average Rate of Return” and “Net Present Value” advise the company whether to purchase the asset or not.	Year	PBDT	1	30,000	2	35,000	3	40,000	4	50,000	5	30,000	8Marks (CO1,2)
Year	PBDT													
1	30,000													
2	35,000													
3	40,000													
4	50,000													
5	30,000													
Q2.	XYZ company Ltd has capital of Rs. 20,00,000 divided into equity shares of Rs. 100 each. For its expansion program, it needs further capital of Rs. 20,00,000 for which the following alternative financial plans are available. a. All amounts in equity shares b. All amount in 9% Debentures c. Rs. 10,00,000 in equity shares and the balance in 10% debentures. d. Rs. 10,00,000 in 8% Preference shares and the balance in 10% debentures. The present EBIT is Rs. 6,00,000 and tax rate is 40%. Calculate the EPS by considering all the above details and suggest the company as to which financial plan is to be adopted and why?	8 Marks (CO2, 3)												
Q3.	BestBuy Auto Ltd has outstanding 1,20,000 shares selling at Rs. 20 per share. The company hopes to make a net income of Rs. 350,000 during the year ended 31st March 2026. The company is considering paying a dividend of Rs. 2 per share at the end of the current year. The capitalization rate for risk class of this company has been estimated to be 15%. Assuming no taxes, answer the question listed below based on MM dividend valuation model- i. What will the price of a share be at the end of 31st March 2026, if a) the dividend is paid, and b) if the dividend is not paid?	8 Marks (CO1,4)												

	ii. How many new shares must the company issue if the dividend is paid and company needs Rs. 7,40,000 for an approved investment expenditure during the year?															
Q4.	The following information has been extracted from the records of a company. Product cost sheet (per unit): <table><tr><td>Raw materials</td><td>Rs.45</td></tr><tr><td>Direct Labor</td><td>Rs.20</td></tr><tr><td>Overheads</td><td>Rs.40</td></tr><tr><td></td><td>-----</td></tr><tr><td>Total</td><td>Rs.105</td></tr><tr><td>Profit</td><td>Rs.15</td></tr><tr><td>Selling Price</td><td>Rs.120.</td></tr></table> The following additional information are provided as follows- 1. Raw materials are in stock on average for two months. 2. The materials are in process on average for one month. The degree of completion is 50% in respect of all elements of cost. 3. Finished Goods stock on an average is for one month. 4. Time lag in payment of wages and overhead is ½ a month. 5. Time lag in receipt of proceeds from debtors is 2 months. 6. Credit allowed by supplier is one month. 7. 20% of the output is sold against cash. 8. The company expects to keep a cash balance of Rs.1,00,000. 9. The company is poised for a manufacture of 1,44,000 units in the next year. You are required to prepare a statement showing the working capital requirements of the company.	Raw materials	Rs.45	Direct Labor	Rs.20	Overheads	Rs.40		-----	Total	Rs.105	Profit	Rs.15	Selling Price	Rs.120.	8 Marks (CO 5)
Raw materials	Rs.45															
Direct Labor	Rs.20															
Overheads	Rs.40															

Total	Rs.105															
Profit	Rs.15															
Selling Price	Rs.120.															
Q5.	X Co. has a net operating income of Rs. 2,00,000 on an investment of Rs. 10,00,000 in assets. It can raise the debt at a 16% rate of interest. Assume that taxes do not exist. (LO 3.2 and 3.3) a. Using the NOI approach and an equity capitalization rate of 18 Percent compute the total value of the firm and the weighted average cost of capital if the firm has (i) no debt (ii) 3,00,000 debt (iii) 6,00,000 debt. b. Using the NOI approach and an overall capitalization rate of 12 percent, compute the total value of the firm, value of share and the cost of equity if the firm has (i) no debt (ii) 3,00,000 debt and (iii) 6,00,000 debts.	8 Marks (CO 4, 5)														
Q6.	A. "A firm should aim at minimizing its cost of capital to maximize firm value." Discuss this statement in light of capital structure theories. Or B. "Investors prefer certain dividends over uncertain capital gains." Discuss this statement with reference to dividend theories.	8 Marks (CO 1, 3) 8 Marks (CO 1, 4)														