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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<br>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               |
| <b>Total</b>                      | <b><u>20,00,000</u></b> |

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%.

