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## **BBA-2074**

**B. B. A. (Third Semester)**

**EXAMINATION, 2020**

**BUSINESS FINANCE—I**

*Time : Three Hours*

*Maximum Marks : 70*

**Note :** Attempt questions from both Sections as directed.

### **Section—A**

**(Short Answer Type Questions)**

**Note :** Attempt any seven questions. Each question carries 4 marks.  $7 \times 4 = 28$

Write short notes on the following :

1. Characteristics of equity shares.
2. Importance of capital structure.
3. Traditional approach to capital structure.

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4. Reasons for changes in capitalisation.
5. Financial leverage.
6. Importance of Cost of Capital.
7. How is cost of equity calculated?
8. Venture capital instrument process.
9. Scope of business finance.
10. Financial manager's role in business finance.

## Section—B

## (Long Answer Type Questions)

Note : Attempt any *three* questions. Each question carries 14 marks.  $3 \times 14 = 42$

1. State the importance and evolution of business finance. What are the financial goals of an organisation?

2. A firm has sales	₹ 20,00,000
Variable cost	₹ 14,00,000
Fixed cost	₹ 4,00,000
Debt	₹ 10,00,000

Rate of interest 10%.

- (a) Calculate the value of operating, financial and combined leverages.

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- (b) If the firm wants to double its Earnings Before Interest and Tax (EBIT), how much rise in sales would be needed on a percentage basis?

3. State the long term sources of funds for the organisation along with its advantages/disadvantages.
4. What is capital structure? Explain the theories of capital structure.
5. (a) "Retained earning is an internal source of fund." Comment.  
(b) Explain the features of ordinary shares.