19U335 (Pages: 2) Name: ……………………..

Reg. No. …..………………….

THIRD SEMESTER B.B.A. DEGREE EXAMINATION, NOVEMBER 2020

(CBCSS - UG)

CC19U BBA3 B05 - FINANCIAL MANAGEMENT

(Commerce - Core Course)

(2019 Admission - Regular)

Time: 2 ½ Hours Maximum: 80 Marks

Credit: 4

Part A (Short answer questions)

Answer ***all*** questions. Each question carries 2 marks.

1. What is systematic risk?
2. What is indifference point?
3. What is optimum capital structure?
4. Sales are Rs. 2, 00,000; variable cost is 40% of sales; fixed cost is Rs. 60,000. The interest on borrowed capital is Rs. 20, 000. What is the financial leverage?
5. State the features of cost of capital.
6. What is perpetual debt?
7. X is a shareholder in A ltd. Although earnings for the A ltd have varied considerably, X has determined that the long run average dividends for the firm have been Rs. 2 per share. He expects a similar pattern to prevail in the future. Given the volatility of the A's dividend, X has decided that a minimum rate of 20% should be earned on his share. What price would X be willing to pay for the A's share?
8. What do you mean by project screening?
9. What is working capital?
10. What is circular cash flow concept?
11. What is projected balance sheet method in working capital management?
12. Define cash management.
13. Define Receivables management.
14. Define dividend.
15. What is optimal dividend policy?

(Ceiling: 25 Marks)

Part B (Paragraph questions)

Answer ***all*** questions. Each question carries 5 marks.

16. What are the functions of a finance manager?
17. Distinguish between capitalisation and capital structure.

18. A company has a sale of Rs. 2, 00,000. The variable costs are 40% of the sales, while the fixed operating costs amounts to Rs. 60, 000. The amount of interest on long term debt is Rs. 20, 000. Calculate the combined leverage and illustrate its impact if the sales increase by 5%.
19. What is weighted average cost of capital? How is it computed?
20. What is NPV? How is it Calculated?
21. A Company is considering an investment proposal involving an initial cash outlay of Rs.2000000. The proposal has an expected life of 7 years and zero salvage value. At a required rate of return of 12%, the proposal has a profitability index of 1.182. Calculate the annual cash inflows. The present value of an annuity of Re. 1 for 7 years at 12% discount is 4.5638.
22. Which are the various selective inventory control techniques?
23. Write a note on irrelevance concept of dividend.

(Ceiling: 35 Marks)

Part C (Essay questions)

Answer any ***two*** questions. Each question carries 10 marks.

24. What is financial management? Explain the objectives of financial management.
25. Explain in detail about investment evaluation criteria.
26. Prepare an estimate of working capital requirement from the following information of a trading concern:

Projected annual sales	1,00,000 units
Selling price	Rs.8 per unit
% of net profit on sales	25%
Average credit period allowed to customers	8 weeks
Average credit period allowed by suppliers	4 weeks
Average stock holding in terms of sales requirement	12 weeks
Allow 10% for contingencies	

27. The following information is available in respect of a firm:

    Capitalisation rate- 10%, EPS- Rs.12, Assumed rate of return on investment

    a)16%   b) 8%   c) 10%.

    Show the effect of dividend policy on market price of a share using Walter's model at the following payout ratios: i) 0%   ii) 50%   iii) 75%   iv) 100%

(2 x 10 = 20 Marks)

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