

18U447

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Name:

Reg. No.....

FOURTH SEMESTER B.B.A. DEGREE EXAMINATION, APRIL 2020

(CUCBCSS - UG)

(Regular/Supplementary/Improvement)

CC15U BB4 B06 - FINANCIAL MANAGEMENT

(Core Course)

(2015 Admission onwards)

Time: Three Hours

Maximum: 80 Marks

Part A

Answer *all* questions. Each question carries 1 mark.

I. Fill in the blanks:

1. _____ is the distribution of profit of a company among its shareholders.
2. _____ is the quantity of materials which can be purchased at minimum cost.
3. Cost of retained earnings is the _____ cost of dividends foregone by the shareholders.
4. An annuity is a stream of _____ annual flows.
5. A _____ discount attempts to encourage prompt payment from credit customers.
6. When current liabilities exceed current asset, there is _____ working capital
7. Operating leverage X financial leverage = _____
8. Capital gearing refers to the relationship between equity capital and _____
9. Financial leverage is also known as _____
10. Simplest capital budgeting technique is _____

(10 x 1 = 10 Marks)

Part B

Answer any *eight* questions. Each question carries 2 marks.

11. What is dividend payout ratio?
12. What are the limitations of trading on equity?
13. Define financial management.
14. What is composite cost?
15. Name the various discounted cash flow methods.
16. What is ABC analysis?
17. What is EOQ? How is it calculated?
18. A project cost ` 600000 and yields annually a profit of ` 90000 after depreciation at 12.5% p.a. but before tax at 50%. Calculate the pay-back period.

(1)

Turn Over

- 19. What do you understand by capital gearing?
- 20. Name the various kinds of working capital?

(8 x 2 = 16 Marks)

Part C

Answer *six* questions. Each question carries 4 marks.

- 21. Write a note on profit maximization v/s wealth maximization.
- 22. The capital structure of a company comprises 2,000, 10% Debentures of ` 100 and 10,000 Equity shares of ` 10 each. Tax rate is 50%. Calculate the EPS if operating profit (EBIT) are ` 1,00,000, ` 1,60,000 and ` 40,000.
- 23. Define dividend policy. What are the factors determining dividend policy?
- 24. What are the various techniques of inventory management?
- 25. A firm has sales of ` 20,00,000, variable cost of ` 14,00,000, fixed cost of ` 4,00,000 and debenture of ` 10,00,000 in its capital structure obtained @ 10 percent. What are its financial, operating and combined leverage?
- 26. What are the functions of a finance manager?
- 27. 25year 12% debenture of a firm are sold at a rate of ` 80. The face value of each debenture is ` 100 and the rate of tax is 50%. Compute the cost of debt capital.
- 28. Explain briefly the various sources of long term finance.

(6 x 4 = 24 Marks)

Part D

Answer *two* questions. Each Question carries 15 Mark.

- 29. Define working capital management. What are the determinants of working capital?
- 30. Jai Ltd. A newly started company wishes to prepare cash budget from January. Prepare a cash budget for the first six months from the following estimated revenue and expenses.

Month	Total sales	Materials	Wages	Production Overhead	Selling & Distribution overhead
January	20,000	20,000	4,000	3,200	800
February	22,000	14,000	4,400	3,300	900

March	28,000	14,000	4,600	3,400	900
April	36,000	22,000	4,600	3,500	1,000
May	30,000	20,000	4,000	3,200	900
June	40,000	25,000	5,000	3,600	1,200

Cash balance as on 1st January was ` 10,000.

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- 1. A new machinery is to be installed at ` 20, 000 on credit, to be repaid by two equal installments in March and April.
 - 2. Sales commission @5% on total sales is to be paid within a month following actual sales.
 - 3. Period of credit allowed by suppliers:2 months.
 - 4. Period of credit allowed to customers:1 month
 - 5. Delay in payment of overheads:1 month
 - 6. Delay in payment of wages:1/2 month
- Assume cash sales to be 50% of total sales.
31. Define capital structure. What are the various theories of capital structure?

(2 x 15 = 30 Marks)
