

21U332

(Pages: 2)

Name:

Reg.No:

THIRD SEMESTER B.B.A. DEGREE EXAMINATION, NOVEMBER 2022

(CBCSS - UG)

(Regular/Supplementary/Improvement)

CC19U BBA3 B05 - FINANCIAL MANAGEMENT

(BBA - Core Course)

(2019 Admission onwards)

Time : 2.5 Hours

Maximum : 80 Marks

Credit : 4

Part A (Short answer questions)

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

1. What is financial management?
2. What is capital structure?
3. What is capital structure planning?
4. What is optimum capital structure?
5. What is trading on equity?
6. Sales are 5, 00,000; variable cost is 70% of sales. Fixed cost is Rs. 1, 00,000. What is operating leverage?
7. B Ltd issued Rs. 1, 00,000 – 8% debentures at premium of 10%. The tax rate applicable to the company is 60%. Compute the cost of capital.
8. What do you mean by mutually exclusive project decisions?
9. Name the types of Working capital.
10. What do you mean by Net current asset forecast method?
11. Define Zero working capital concept.
12. Define cash management.
13. Define Receivables management.
14. What is bond dividend?
15. What is dividend policy?

(Ceiling: 25 Marks)

Part B (Paragraph questions)

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

16. X Ltd issued 1000 preference shares of Rs. 100 each. Percentage of dividend is 10%. Find the cost of preference shares in the following situations:
(a) Issued at 5% premium (b) Issued at 10% discount and floatation cost of 5% (c) Issued at par and brokerage paid Rs. 2000
17. Describe the objectives of financial management.

18. Define cost of capital. Explain the factors determining the cost of capital.
19. Explain different methods for computing the cost of equity capital.
20. There are two projects X and Y. Each project requires an investment of Rs. 20,000. You are required to rank these projects according to the pay-back method from the following information:

(Net profit before depreciation and after tax)

Years	Project X	Project Y
1 st	1,000	2,000
2 nd	2,000	4,000
3 rd	4,000	6,000
4 th	5,000	8,000
5 th	8,000	-----

21. What are the advantages and disadvantages of Profitability Index method?
22. State the approaches of determining working capital mix.
23. Explain Walter's Dividend model and its assumptions.

(Ceiling: 35 Marks)

Part C (Essay questions)

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

24. Explain the functions of finance manager. What major decisions are required to be taken in finance?
25. Aasman Ltd. has currently under examination a project which will yield the following returns over the life of the project;

Year	1	2	3	4	5
Gross yield	80000	80000	90000	90000	83000

Cost of machinery to be installed amounts to Rs. 2,00,000 and the machine is to be depreciated @ 20% p.a. at W.D.V. basis. Income tax rate is 50%. The salvage value of machine is zero. If the average cost of raising capital is 11%, would you recommend accepting the project under the IRR method?

Present value of money at rates of interest is as under:

Year	1	2	3	4	5
at 10%	.91	.83	.75	.68	.62
at 14%	.88	.77	.67	.59	.52

26. What is Inventory management? Explain briefly important tools and techniques of inventory management.
27. ABC Ltd. capitalisation rate is 10%. It has 5000 shares of Rs. 100 each. The firm is going to declare a dividend of Rs.6 per share at the end of current financial year. The company expects to have a net income of Rs. 50,000 and has a proposal for making new investments of Rs. 1,00,000. Show that under MM hypothesis the payment of dividend doesn't effects the value of the firm.

(2 × 10 = 20 Marks)
