22U333 (Pages: 2) Name: ....

Reg. No: ....

THIRD SEMESTER B.B.A. DEGREE EXAMINATION, NOVEMBER 2023

(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 wealth maximisation?
2. What is optimum capital structure?
3. What is combined leverage?
4. State the features of cost of capital.
5. A ltd. issued Rs. 1, 00,000 – 8% debentures at par. The tax rate applicable to the company is 50%. Compute the cost of capital.
6. What is cost of preference share capital?
7. Compute the cost of equity if interest on government bonds is 6%, market return is 18% and the beta factor for the company is 1.10.
8. What are the factors affecting capital budgeting decisions?
9. Explain Net working capital.
10. State the Concept of operating cycle in the case of working capital management.
11. Define Zero working capital concept.
12. What do you mean by concentration banking?
13. Explain JIT.
14. What is stock dividend?
15. What is dividend policy?

(Ceiling: 25 Marks)

Part B (Paragraph questions)

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

16. What is risk return trade - off? Explain different types of risk.
17. What is capital structure? Explain different types of capital structure.
18. What is financial leverage? What are the effects of financial leverage?
19. What is NPV? How is it Calculated?
20. What are the decisions regarding tightening and liberalising credit policies?

21. A firm's after tax cost of capital of the specific sources are as follows:

Cost of debt is 8%, cost of preference share is 14%, and cost of equity is 17%.

The firm has following capital structure:

Source	**Amount (Rs.)**
Debt	3,00,000
Preference capital	2,00,000
Equity capital	5,00,000
Total	**10,00,000**

Calculate weighted average cost of capital.

22. Kerala Ltd is implementing a project with an initial capital outlay of Rs. 7,600. Its cash inflows are as follows: Rs. 6,000, Rs. 2,000, Rs. 1,000 and Rs. 5,000 respectively. The expected rate of return on the capital invested is 12%. Calculate Discounted pay - back period of the project.

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. The following information relates to a project: Initial outlay - Rs.20000, Life of the project- 5 years, Cash inflows - Rs.8000 p.a. for 5 years, Cost of capital- 10%. Expected interest rates at which cash inflows will be reinvested are as follows: End of year 1- 6%, 2 - 6%, 3 - 8%, 4 - 8% and 5 - 8%.

26. From the following information extracted from the books of a manufacturing concern, compute the operating cycle and also calculate the amount of working capital required.

	Rs.'000
Average total of debtors outstanding	480
Raw material consumption	4400
Total production cost	10000
Total cost of sales	10500
Sales for the year	16000
Value of average stock maintained:	
Raw materials	320
Work in progress	350
Finished goods	260

Period covered -365 days; Average period of credit allowed by suppliers- 16 days.

27. Explain MM theory of dividend. What are its assumptions and criticisms?

(2 × 10 = 20 Marks)

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