

**24U265**

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Name : .....

Reg. No : .....

**SECOND SEMESTER UG DEGREE EXAMINATION, APRIL 2025**

(FYUGP)

**CC24UBBA2CJ102 - FINANCIAL MANAGEMENT**

(BBA - Major Course)

(2024 Admission - Regular)

Time: 2.0 Hours

Maximum: 70 Marks

Credit: 4

**Part A** (Short answer questions)

Answer *all* questions. Each question carries 3 marks.

1. What are shares in terms of financing? Explain the difference between common shares and preferred shares.. [Level:1] [CO1]
2. Explain the disadvantages of lease financing. [Level:2] [CO1]
3. Explain NOI approach. [Level:2] [CO2]
4. What are the merits of payback period. [Level:2] [CO3]
5. A project cost Rs. 1,00,000 and yield on annual cashinflow of Rs. 20,000 for 8 years. Calculate pay back period. [Level:3] [CO3]
6. Explain the meaning of optimal dividend policy. [Level:2] [CO4]
7. Explain Walter's Dividend model and its assumptions. [Level:2] [CO4]
8. A firm has capitalisation rate of 10%, earnings per share is Rs.12, Assumed that rate of return on investment is (i) 16%, (ii) 18%, (iii) 10%. Show the effect of dividend policy on market price of shares using walter's model at a payout ration of 50%. [Level:3] [CO4]
9. Explain Payback period. [Level:2] [CO4]
10. What is the concept of the time value? [Level:2] [CO4]

**(Ceiling: 24 Marks)**

**Part B** (Paragraph questions/Problem)

Answer *all* questions. The question carries 6 marks.

11. How does the interest rate affect the time value of money? Explain using the formula for Future Value. [Level:2] [CO1]

12. Mr. Y deposits at the end of every year Rs. 1000 in a bank which pays 12% compound interest p.a., for 8 years what will be the total amount standing to his credit at the end of 8th year. [Level:3] [CO1]
13. Define the cost of capital. Explain the factors determining the cost of capital. [Level:2] [CO2]
14. What are the importance of investment decisions? [Level:2] [CO3]
15. Explain any six forms of dividends. [Level:2] [CO3]
16. From the following information evaluate proposal using terminal value method initial outlay 20,000 project life 5 years. Net cash inflow Rs. 8,000 for 5 years. Cost of capital 10%. Expected interest rate 6%, 6%, 8%, 8%, 8% 1st, 2nd, 3rd, 4th and 5th years respectively. [Level:3] [CO3]
17. A company issued 10,000, 10% preference share of Rs. 100 each redeemable after 10 years at a premium of 5%. The cost of issue is Rs.2 per share. Compute the cost of preference share capital. [Level:3] [CO2]
18. What are the assumptions of Gordon's model. [Level:2] [CO4]

**(Ceiling: 36 Marks)**

**Part C (Essay questions)**

Answer any **one** question. Each question carries 10 marks.

19. Explain Weighted average cost of capital. [Level:2] [CO2]
20. Calculate ARR. Project X capital cost is Rs. 40,000 and earnings after depreciation and tax Rs. 5,000, Rs. 7,000, Rs. 6,000, Rs. 6,000 in the 1st, 2nd, 3rd and 4th years respectively. Project Y capital cost is Rs. 60,000 and earnings after depreciation and tax Rs. 8,000, Rs. 10,000, Rs. 7,000 and Rs. 5,000 in the 1st, 2nd, 3rd, and 4th years respectively. [Level:3] [CO3]

**(1 × 10 = 10 Marks)**

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