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		FOURTH SEME	STER B.B.A. DEGRE (CUCBCSS		N, APRIL 2021			
	CC15U BB4 B06 - FINANCIAL MANAGEMENT							
			(Core Cou	*				
т:		(2015 to Three Hours	2018 Admissions – Sup	oplementary/Improv	ement) Maximum: 80 Marks			
11	me.	Tillee Hours			Waxiiiuiii. oo Warks			
			Part A	A				
		Answ	ver <i>all</i> questions. Each of	question carries 1 ma	ark.			
I.	Choose the correct answer:							
	1.	If risk is more, expec	cted return will be					
		(a) More	(b) Less	(c) Insignificant	(d) None of them			
	2.	Depreciation is a						
		(a) Cash expense	(b) Non-cash expense	e (c) Income	(d) None of these			
	3.	1						
		(a) Fixed capital		(b) Medium term capital				
		(c) Short term capital		(d) None of these				
4. The time gap between the production of goods and actual realization after sales is known					ation after sales is known as			
		(a) Operating cycle	(b) Cash cycle	(c) Business cycle	(d) None of these			
	5.	Stock dividend is pai	id in the form of					
		(a) Bonus shares	(b) Right shares	(c) Preference share	es (d) None of these			
II. Fill in the blanks:								
	6.	is the fir	m's decision to invest	its current funds mo	ost efficiently in the long-			
		term assets in anticip	oation of an expected flo	ow of benefits over a	a series of years.			
	7.	. Capital structure is mix of and equity.						
	8.	. The excess of current assets over current liabilities						
	9.	is the payment of additional shares of common stock to ordinary shareholders.						
	10. According to theory the dividend decision is irrelevant.							
					$(10 \times 1 = 10 \text{ Marks})$			
			Part I					
		Answer a	ny <i>eight</i> questions. Eac	ch question carries 2	marks.			
	11	. What is composite le	everage?					
	12. What is bonus share?							
			(1)		Turn Over			

- 13. What do you mean by dividend payout ratio?
- 14. What do you mean by Annuity?
- 15. What is sweat equity?
- 16. What is marginal cost of capital?
- 17. Define capital structure.
- 18. What is JIT?
- 19. Define Financial Management.
- 20. Enumerate the different methods of ranking investment proposals.

 $(8 \times 2 = 16 \text{ Marks})$

Part C

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

- 21. What are the different types of dividend policies?
- 22. A firm sells 1,00,000 units of a product. The selling price per unit is Rs.10 and the variable cost per unit is Rs.3. Fixed costs for the year amounts to Rs.3,50,000. Calculate operating leverage and degree of operating leverage, if it sells (a) 1,30,000 units, (b) 95,000 units?
- 23. Calculate EOQ from the following information. Also state the number of orders to be placed a year.

Consumption of materials per annum 40,000 kg

Storage cost 8% of average inventory

Ordering cost per order Rs. 12.5

Cost per kg of material Rs.2

- 24. Bosh Ltd. has a net operating income of Rs. 5,00,000. It has 10% debentures of Rs. 20,00,000. The cost of equity capital has been estimated at 15%. Compute the value of the firm according to net income theory.
- 25. A project requires an outlay of Rs. 1,00,000 and yields an annual cash inflow of Rs. 25,000 for 7 years. Calculate the payback period for the period.
- 26. Explain the various tools and techniques used for inventory management.
- 27. "Financial leverage is a two-edged sword"-Elucidate.
- 28. X Ltd issues 10 % debentures of Rs. 10,00,000 and realizes Rs. 9,80,000 after paying 2% commission to brokers. The debentures are redeemable at the end of 10th year. The rate of tax is 30%. Compute cost of capital.

 $(6 \times 4 = 24 \text{ Marks})$

Part D

Answer any **two** questions. Each question carries 15 marks.

- 29. Explain the theories of capitalization.
- 30. Deva Ltd. which proposes to start functioning on 1st April 2020, gives the following estimations for the first six months of its operations. The company has a cash balance of Rs. 60,000 on the opening day.

Month	Sales	Material cost	Labour cost	Overhead cost	Selling
	(in Rs)	(in Rs)	(in Rs)	(in Rs)	Cost (in Rs)
April	20,000	20,000	4,000	3,200	800
May	22,000	14,000	4,400	3,300	900
June	28,000	14,000	4,600	3,400	900
July	36,000	22,000	4,600	3,500	1,000
August	30,000	20,000	4,000	3,200	900
September	40,000	25,000	5,000	3,600	1,200

Following further information are also provided:

- 1) A new machinery is to be installed at Rs.20,000 on credit, to be repaid by two equal instalments June and July.
- 2) 5% sales commission is to be paid within a month following sales.
- 3) Rs. 10,000 being the amount of second call may be received in June. Share premium amounting Rs. 2,000 is also obtainable with the second call.
- 4) Period of credit allowed by suppliers -2 months.
- 5) Period of credit allowed to customers-1 month
- 6) Delay in payment of overheads-1 month
- 7) Delay in payment of wages- ½ month

Prepare a cash budget for the period. Assume cash sales to be 50% of total sales.

31. What is working capital? What are the factors determining working capital requirements?

 $(2 \times 15 = 30 \text{ Marks})$

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